

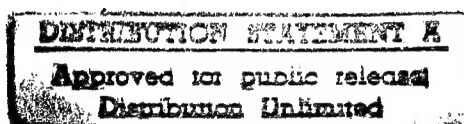
JPRS-EER-92-098  
30 JULY 1992



**FOREIGN  
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# ***JPRS Report***

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## **East Europe**

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# East Europe

JPRS-EER-92-098

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30 July 1992

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### Michnik on Origins, Shades of Nationalism

92CH0711A Budapest VILAGOSSAG in Hungarian  
May 92 pp 328-331

[Article by Adam Michnik: "The Limits of a Concept"—translated into Hungarian from Polish by Peter A. Lazar]

[Excerpt] [Passage omitted] The word "nationalism" is qualified by several associated ideas. In analyzing the Lithuanian crisis not too long ago, a noted French left-wing intellectual as well as an outstanding ideologue of the American Right accused the Sajudis of being nationalistic. In the eyes of the Frenchman, the Sajudis is a reactionary, conservative and clerical movement that has retarded Mikhail Gorbachev's reform policies in the past. From the standpoint of the American, the Sajudis is a progressive, revolutionary-nationalist movement that destroys world order and impedes U.S. foreign policy. Why, after all, should President Bush want Gorbachev to recognize the independence of Lithuania when no other American president has made such an unrealistic request to either Khrushchev or Brezhnev.

Recapturing a nation's memory, protecting cultural identity, and efforts to achieve independent statehood do not constitute nationalism, in our view. Nationalism manifests itself not when a country struggles for its own rights, but when one disputes someone else's right to national and human dignity. Nationalism makes sense only in a world in which nations act like animals in the struggle for their own survival. Nationalism is actually a degenerate variety of a natural necessity to live with a sense of national pride in an independent state; nationalism peaks in the form of intolerance: it permits the rejection of another person simply because that person is different.

Nationalism has also been the last trump card of communism: the final attempt to establish social foundations for the dictatorship. Kim Ir Sen, Fidel Castro, and even the Serb communist leader Milosevic well exemplify this.

At the same time, nationalism is also a manifestation of resistance to communism. Communism tramples national dignity into the mud, it destroys national traditions and violates national sovereignty. Nationalism thus becomes a distorted form of national self-defense; the more they want to suppress nationalism, the easier the distortion evolves. We once again wish to underscore: Self-defense is not tantamount to nationalism. Nationalism begins when I am convinced that my oppressed nation is better than some other nation. There obviously is a difference between the two kinds of nationalism. Lenin was correct when he distinguished the nationalism of a subjugated nation from the nationalism of a conquering nation. The nationalism of a colonizing power is always the most hideous, the most condemnable kind of nationalism. In disputing [the legitimacy of] Great Russian nationalism, Ukrainian,

Lithuanian, Estonian and Georgian writers often mention the imperialistic psychology of Russians. The situation is not that simple with respect Russian nationalism either. Russian nationalists claim that no other nation had been devastated by communism as brutally as the Russian nation: they mention their perished culture, religious persecution, the assassination of the best of the intelligentsia and of industrial workers, the total devastation of the elites in cities and villages, starvation, slavery and the loss of hope. Russian nationalists develop a theory in which the role of the Russian nation is that of a victim. They say that it is inappropriate to mention Russia's responsibility for Bolshevism, because Marxist theories had been invented in the West and the revolutions had been caused by aliens, such as Jews, Latvians, and Poles. Communism was not our mistake, but our misfortune, Russian nationalists claim. Incidentally, this response is not all that absurd, the problem is that it does not take into account responsibility for our misfortunes, and for the misfortunes of others.

Why is it that members of the intelligentsia often accept such intellectually shallow reasoning? This occurs because a peculiar complex evolves in members of the intelligentsia living in communist systems; the complex relates to an awareness of crimes, to their own weakness, and to being isolated from their own nations. Nationalism is an illusion: It is an attempt to end isolation and to find common sentimental and historical values. It has to do with something noble, because it arose from the deformation of real needs. Having to do something with national culture, recalling history represent a responsible attitude. Consciousness of national identity and a sense of responsibility entitle us to be proud of our nation whenever that is possible, and also obligate us to be ashamed when that becomes necessary. These two factors are mutually inseparable. If, as a German, I am able to be proud of Goethe, Heine and Thomas Mann, even though I am not the author of their works, I must also be ashamed of Hitler, Himmler and Goebbels even though I have not sympathized with that group of people for a single moment. This, then, produces a sense of responsibility.

Nationalism usually serves as a means of escape from responsibility for the past. Nationalists are convinced that foreigners must be faulted.

In addition, nationalism also serves as a means to develop a positive image of our own nation, while others belonging to alien tribes are not part of the nation, of course. As part of nationalist thinking it is permissible to point out a person's Jewish origin, to persecute cosmopolitan ideals manifesting themselves in culture, and to voice watchwords like "Russia belongs to the Russians," "Poland belongs to the Poles," and "Bulgaria belongs to the Bulgarians." After that, it also becomes permissible to demand the banning of aliens, as could be seen on several posters pasted on building walls in Leipzig demanding "*Polen 'raus* [Poles, get out]." And, finally, it becomes permissible to organize pogroms, as evidenced by the blood of Hungarians murdered in Transylvania.

Behind these sentiments there arises the question: "If so, where do we go from here?" What was our starting point, and where are we going? Some claim that we are going to Europe, others assert that we are "returning to our roots." These two statements should not necessarily be regarded as mutually contradictory postulates, and yet, they become contradictory as the distinction brings their

outlines into increasingly sharper focus. Accordingly, in societies which feel inferior due to their backwardness, the classical questions is raised as follows: Should we follow that wealthy, liberal Europe, or should we choose our own, authentic, anti-European path? Nationalism is the ideological weapon of those who choose to proceed on the anti-European path. [passage omitted]

### Czech Comment on Anticipated Breakup

#### Slovaks Should Speak Clearly

92CH0725A Prague LIDOVE NOVINY in Czech  
23 Jun 92 p 3

[Commentary by Petr Husak: "Scare Tactics"]

[Text] The winners of the elections in Slovakia are perhaps considering their own voters to be people void of any views, who do not know whom they elected to head the government and why. How else can one explain the reference which is addressed to Czech economists, journalists, and politicians with increasing frequency and which is formulated as follows, in a simplified manner: *Do not scare our people for us*. It is as though the Slovak election winners and defenders of Slovak ideals did not believe their own voters. It is as though they did not win them over with good and honest intentions, but rather with unrealistic promises which are easily refuted by few cheap assaults on the part of professional demagogues from Prague. It is as though they did not clearly say: Slovaks, if you will follow us into Europe, we will have our own star and chair, not in 10 years, but immediately. Perhaps we will not succeed, but we will try. Our separate currency will be devalued because we are overly poor. Our enterprises are not creating adequate foreign exchange reserves, that is why we shall not long be able to maintain the internal convertibility of the currency. But that does not matter. At first, we shall contract debts; somehow we shall prevail and then we shall see. We shall introduce a controlled foreign exchange economy and, in time, we will make foreign exchange promises. There would be less money for Gabcikovo, less money for restructuring the armaments industry, but that does not matter. We shall export more tanks and we will somehow figure out what to do with the Hungarians. We want only the best for you—the independence of Slovakia. This experiment is worth the effort.

If the above ideas sound like demagoguery to someone in Slovakia, it would be well if the Slovak economists, journalists, and politicians were to submit their views and, using the market of ideas, persuade the voters of the Czech rightist parties that the opposite is true. The fact that the best solution in case the federation comes to an end is not an independent Czech and Slovak state, but rather a defense and economic association with a common depreciated currency and with two economies which are developing at different rates.

I am afraid that they will not succeed. I expect that the voters of the Czech rightist parties will not change their opinions, no matter who tends to frighten them. Perhaps it is Marian Tkac, deputy minister of finance of the Slovak Republic, who, at the end of the Sunday program called "What the Week Brought," optimistically stated that he believes that when, one day, the federation will come to its senses, it will be divided and nothing will change economically.

### New Name for CR

92CH0725B Prague LIDOVE NOVINY in Czech  
23 Jun 92 p 3

[Column called "Questions for...," written by (rk): "Question for Dr. V. Balas, From the Institute of State and Law of the Czechoslovak Academy of Sciences"]

[Text] Can the Czech Republic, after the disintegration of the federation, take over the title Czechoslovakia and keep using the flag of the joint state?

[Balas] International law in no way outlines the procedure in such a case, which is hypothetical for now. It is more a political question: How would the international community accept this fact. Even if the federation were to be divided into two independent entities, the Czech portion of the federation could use the argument of a certain continuity involving the predecessor state and the fact that a considerable number of Slovaks reside in the Czech lands. It would clearly also be a question of an agreement with the partner. But even if Slovakia were to protest against such actions on the part of the Czech Republic before the international court, it would probably not get a lot of help. There should also be no problems involving the Czechoslovak flag as a symbol of the new Czech state.

### Analysis of Czechoslovak Economy From IMF View

92CH0722C Prague EKONOM in Czech 5-11 Jun 92  
pp 20-21

[Article by Eng. Jiri Weigl, Ph.D., candidate of sciences: "An Analysis of Czechoslovak Economic Development From the Viewpoint of the International Monetary Fund"]

[Text] At the beginning of April 1992, the Committee of Executive Directors of the International Monetary Fund (IMF) dealt with the results of the Czechoslovak economic reform, which had been evaluated in November 1991 and in January of this year in Czechoslovakia by an IMF mission within the framework of regular consultations the IMF conducts involving all member states (the so-called Article IV Consultations). The result of this April meeting was the release of the final draw of foreign exchange resources within the framework of the cash credit granted to Czechoslovakia by the IMF at the beginning of last year, amounting to approximately \$1.5 billion, and the approval of a new credit for another year, valued at approximately \$330 million.

The executive directors judged Czechoslovak economic development on the basis of the report submitted by the mission on Article IV Consultations, dated 9 March 1992, as well as on the basis of an extensive analytical study worked up by the mission, dated 23 March of this year, which currently represents probably the most representative existing independent analysis of the Czechoslovak economy, incorporating even the most recent

developments in the first quarter of 1992. The IMF studies are based on the original collection of data and its independent interpretation of IMF specialists, using methods which are generally applied by this most important world financial institution in evaluating the economies of all member states. The content and conclusions of these analyses are, therefore, objective and well founded and also represent a highly interesting source of information for our public.

In its first portion, the analytical study deals with the most recent developments of the Czechoslovak economy, both in the area of the so-called real economy (aggregate demand, supply, prices, wages, and employment) and also in the area of external relationships and contains an analysis of the economic policies of the government in the sphere of currency policies, budgetary policies, income policies, and exchange rate policies. Attention is also devoted to the course of the liberalization phase and to the development of the economic structure. In its second part, the analysis concentrates on principal problems and tasks facing the current phase of the reform, which are defined as the decline in production, questions of internal insolvency, privatization, reform of the financial sector, tax reform, and the reorientation of foreign trade. Let us look at the most interesting conclusions, at least briefly:

The mission classifies development in 1991 as a liberalization-stabilizational phase of the reform and judges its course to be unequivocally successful. According to the IMF, the results of the reform, insofar as stability is concerned, outstripped expectations. The mission considers the principal successes to be the rapid stabilization of the pricing system following its virtually complete liberalization, the strengthening of foreign exchange reserves, and, despite a greater-than-expected decline in production, the preservation of social consensus throughout society and support for the reform by the population.

The principal factors behind the decline in aggregate demand are considered to be the increase in domestic prices, the shock in the area of realistic exchange relationships in business conducted involving the former CEMA countries, the devaluation of the exchange rate, and the overall decline in real incomes, both at home and also that involving the principal trading partners, and the general uncertainty in domestic and foreign markets. However, the estimate of the decline in personal consumption by 33 percent appears to be excessive, in view of the supply inventories which households acquired in anticipation of price liberalization and in view of the fact that the data do not include imports for personal consumption from abroad. Despite the fact that in the past (for example, in 1980 and 1982) personal consumption also declined, last year's drop nevertheless appears to be extraordinarily large. In view of the current level of labor productivity and the anticipated development of real wages connected with it, it is not possible to anticipate any substantial growth of this indicator in that direction in the immediate future.

Social consumption declined by 4.5 percent, but the most important factor affecting the decline in aggregate demand was a drop in investments and a decline in changes involving uncompleted construction. These data, much like the numbers which characterize the development of capital accumulation, which are showing a decline of 68 percent, must be interpreted very carefully because the numbers do not incorporate write-offs, which represent two-thirds of gross investments. On the contrary, write-offs have now shown real growth over the past two years (1990, 7 percent; 1991, 4 percent), which signals a more rapid renewal of obsolete capital assets in the economy. If we take this factor into consideration, the decline in gross investments was much milder—27 percent, which, although representing a substantial decline, is already a highly fluctuating decline within the framework of the trends of the past. Investments in the private sector, which rose rapidly, but started from a minimum base, were not capable of compensating for the decline in investments in the public sector and in state enterprises.

The remaining components of aggregate demand—exports and imports—were yet another negative factor as a consequence of developments in East Europe and in the former USSR.

The main shock in terms of aggregate supply was the combined effect of the devaluation of the koruna and a serious deterioration in real exchange relationships. The price of imported petroleum rose by 36 percent in domestic currency, something which contributed substantially to the decline in production in energy-intensive sectors and increased the financial tension within the economy. The escalation of accounting profits in the enterprise sphere, the principal source for which was overpricing of inventories accumulated in the past, was a factor which, in the first half of the year, delayed the essential adaptation processes. State enterprises continued to show a low reaction capability on the part of production to price impulses in the first half of 1991, they were also slow to substitute various production factors, they continued to waste energy and manpower (overemployment at the beginning of the reform was estimated at 15 percent). In the third quarter, however, it was already possible to observe the beginning of essential adaptation, which was manifested in a decline in production, in the growth of unemployment, and in the first drop in the volume of inventories. Overall, it is possible to state that if Czechoslovakia was still a deficit economy at the end of 1990, at the end of 1991 the excess in demand was already eliminated and had been replaced by an excess in supply.

#### External Economic Relations

The IMF analysis considers the development of external economic relations in 1991 to be very positive. In contrast to a forecast by the IMF from the end of 1990, which anticipated a deficit in the current account of the balance of payments at around \$2.5 billion, this account



achieved a surplus of \$230 million in convertible currencies and \$455 million in nonconvertible currencies. Overall, however, there was a sharp decline in foreign trade as a consequence of the disintegration of CEMA and the Soviet Union. The capital account of the balance of payments also showed specific improvement. An important influx of direct foreign investments compensated for the outflow of commercial credit. The influx of capital was further strengthened by credits granted by the IMF (in 1991, \$1,313 million), by the World Bank (\$205 million), by the European Community (\$248 million), and by other countries of the G-24 (\$89 million), as well as by loans made by the Czechoslovak State Bank on the international capital market (approximately \$280 million). The overall balance of payments ended up with a surplus of \$1.2 billion with gross foreign exchange reserves increasing by \$2.1 billion. This makes possible the preservation of a stable level for the exchange rate and is reflected in the gradual convergence of the official and black-market rates of foreign exchange.

#### Foreign Indebtedness

A more detailed analysis of this development indicates that, despite the fact that the physical volume of exports to the West increased by 10 percent in 1991, it was unable to compensate for the export shortfalls resulting from the limitation of arms exports, from the increase in prices for raw materials imported from CEMA countries, from the disruption of traditional trade ties as a consequence of changes in the region housing production enterprises, and as a result of foreign trade and a shortage of essential personnel and the necessary infrastructure on the side of exporting enterprises. The stagnating volume of imports from developed countries was a reflection of the decline in domestic investment. The major portion of the balance of trade deficit was ascribable to the import of petroleum and natural gas from the USSR, which volumes had decreased by 8 percent in 1991 in comparison to the preceding year. The growth in income in the services sector, which was primarily shared by growing payments resulting from transit fees and revenues based on tourism, was significant. During 1991, the foreign indebtedness of Czechoslovakia, in freely convertible currencies, rose by \$1.8 billion to a level of \$9.9 billion at the end of the year, which represented 29 percent of the GDP. The share of short-term debt was 30 percent, which is substantially lower than the 45-48 percent it was in 1986-89. Debt service declined to 15.2 percent of the export volume of goods and services.

#### Monetary Policy

In terms of monetary policy, the first quarter of 1991 was characterized by a real decline in the volume of money in the economy, which resulted from a higher-than-anticipated increase in prices. The growth of credit in the economy was expressly lower than had been anticipated—as a consequence of higher inflation on the one hand and as a result of the unwillingness of the banks to make loans up to the limits of stipulated credit

ceilings. This reflected both a great deal of uncertainty accompanying the liberalization period as well as the inexperience of banks in evaluating risks and the poor structure of their portfolios, as well as their low capitalization. After the first quarter, conditions in this area began to gradually open up, something which, in view of the rapid stabilization of prices and the strong position in the balance of payments, failed to disrupt the stabilizational efforts of the government.

In the area of interest policy, the IMF mission warned against an additional lowering of interest rates on credits and deposits which, in its opinion, could lead to a flight toward foreign exchange on the domestic market because of interest conditions. Overall, in 1991, the volume of credit made available to enterprises and households rose by 25 percent, which was commensurate with the original IMF projections. The criterion of net domestic assets in the banking system, which was set by the IMF as one of the conditions for releasing resources within the framework of the cash credits involved, however, was not fulfilled as a result of the unexpected increase in credits granted to the government (that is to say, as a result of the deficit in the budgets of the republics). The realistic volume of money in the economy declined in 1991 by 17 percent, which means that in view of a similar decline in production, the velocity of money in circulation remained unchanged.

#### Budgetary Policy

Budgetary policy which followed the goals of further restricting state commitment in the economy and the antiinflationary effects of the budget during the liberalization phase of the reform underwent dramatic developments. Budgetary policy was rendered more complicated primarily as a result of a new division of jurisdictions among the federation and the republics. Budgetary management became expressly more transparent. The mission particularly emphasizes the unification of sales tax rates and the lowering of subsidies from 13 percent of the GDP to 7 percent. In the first half of 1992, the postliberalization explosion of revenues required the revision of the budget and the subsequent shortfall in the revenue portion at the end of the year then led to a deficit of approximately Kcs19 billion (2 percent of the GDP). The overall share of revenues in the state budget in the GDP declined in 1991 from 60.2 percent to 50.9 percent. The growing issuance of government guarantees for enterprise credits, which represented some Kcs20 billion at the end of 1991, of which two-thirds are allocated to the Slovak government, raised certain fears in the thinking of the mission.

#### Analysis of the Reasons for Decline

The analysis deals in detail with the reasons for the considerable decline in production. In seeking these reasons, it is necessary to analyze the individual components of aggregate demand, but, at the same time, it is necessary to see their mutual interconnection which, in the final analysis, shows up as the only shock leading to



the decline. As far as the analysis of external factors is concerned, the influence of the disintegration of the CEMA market upon the decline in the GDP is evaluated by the mission within the range of - 8.1 through - 7.7 (excluding the import components of our exporters doing business in CEMA markets). In analyzing the influence resulting from the deterioration of real exchange relationships, the IMF specialists posed the question as to how much could be earned by the export sector in 1990 using 1991 prices and how much would have to be paid for imports in 1990 at 1991 prices? In applying the data for the balance of payments, this factor would be reflected by a decline of 5.1 percent in the GDP for 1990; in the case of data based on national accounts, this figure would even be 12.2 percent of the GDP for 1990. The study of the supply side involved a small sample of nine industrial branches for a period of nine months and incorporated a relatively small number of observations (27), but nevertheless proved that the enterprise sphere was doing a relatively little amount of adaptation. The reaction of the supply side to higher prices was weak; a stronger correlation existed between the decline in production and employment (on average, a 10-percent decline in production correlated with the 3-percent decline in employment). The mission reached the conclusion that the drop in production is not primarily connected with developments in the area of expenditures and costs, but primarily results from the influence of external factors. This implies the essentiality of more substantial adaptation movements at the enterprise level and additional declines in production and employment over the short term.

The study devotes a great deal of attention to questions of reforming the financial sector and to the problem of indebtedness in enterprises and in the banking sphere. It points out the large volume of bad loans from the previous period, which is burdening the enterprise sphere and the banking sector, makes banks highly vulnerable in the face of anticipated failures of large debtors, creates an unhealthy tie between indebted enterprises and the banks and, under the conditions of an essentially conservative monetary policy, forces both promising and beginning entrepreneurs out of the credit market. The capital weakness of the banks and the poor structure of their portfolios limits the possibility of banking oversight and has a negative effect on the competitiveness of domestic banks with respect to foreign competition. A solution with help from the state is not simple because it would very much burden the state budget, which is struggling with declining revenues. Therefore, the IMF thinks very highly of the idea of

using the proceeds from privatization to revitalize the financial sector and making use of the partially accomplished debt forgiveness for promising enterprises and strengthening the banks with capital by having them sell bonds of the Funds of National Property. The IMF stresses that debt forgiveness should be a one-time operation with resources which are sufficient to deal with the dimensions of the problem.

Regarding the problem of restructuring external economic relations, the IMF study judges that this problem is more pressing in Czechoslovakia than it is in the other postcommunist countries in view of the smaller degree of integration of our economy with the world economy and because of its very dominant orientation toward the soft Eastern markets. Consequently, this situation called for more extensive and more rapid steps in the area of price liberalization and foreign trade. In contrast to Poland and Hungary, broader contacts with Western markets did not begin to freely develop until the last two years and require rapid expansion, provided the CSFR wishes to maintain its competitiveness in comparison with the other East European countries. It can be expected that in the next period the demanding nature of the import portion of economic development will grow in conjunction with the essentially extensive capital renewal phase; however, Czechoslovakia has a relatively good position with respect to the acquisition of the necessary financial resources in view of its low degree of indebtedness.

#### Statistical Analyses

In its attachments, the study presents an interesting analysis of the reliability of statistical data. For example, in measuring private consumption, unrecorded private importation of goods by citizens and stockpiling by households represents a decline of around 7.5 percent below the actual level achieved only as a result of these two factors. In computing changes in the status of inventories in the economy, using differential deflators can lead to a positive difference of as much as Kcs26 billion in comparison to documented facts. Great problems beset the data on foreign trade as a result of the transition to the method of customs statistics. The comparability of data with the past period is virtually impossible in view of the changes in the commodity and territorial structure of trade, in view of problems involved in recomputing transferable rubles to dollars, as a result of different statistical methods used in various institutions (the Federal Statistical Office and the Federal Ministry of Foreign Trade). The third great problem is based on the fact that accurate records for the private sector, the production from which and the share of which in trade turnover are also undervalued, do not exist.

#### Cumulative Basic Data on the Czechoslovak Economy

Population	15,662 million
GDP in market prices (1991)	Kcs952 billion
National income in market prices (1991)	Kcs822 billion

	1986	1987	1988	1989	1990	1991
<b>Real Pace of Growth</b>	(in percent)					
GDP					- 0.4	- 16.1
National income	2.6	2.1	2.3	0.7	- 1.1	20.1
Agriculture	3.1	- 2.8	- 0.6	6.5	1.3	- 8.8
Industry	3.1	3.9	3.4	2.8	- 1.9	- 23.1
Construction	0.6	2.9	1.7	- 1.7	1.8	- 32.0
<b>Balance of Payments</b>	(in billions of dollars)					
Free currencies						
Exports	4.3	4.5	5.0	5.4	6.0	8.6
Imports	4.1	4.7	5.1	5.0	6.8	9.2
Current account	0.5	- 0.1	- 0.1	0.4	- 1.1	0.2
Nonconvertible currencies						
Exports	9.2	10.6	10.0	8.8	5.7	2.3
Imports	9.8	10.8	9.5	9.0	6.5	2.0
Current account	- 0.3	0.4	1.2	0.5	- 0.2	0.5
<b>Territorial Structure</b>	(in annual percentage changes)					
Exports						
Nonsocialist countries	1.6	- 4.7	0.6	5.2	13.2	9.9
Socialist countries	- 0.5	5.1	4.7	- 8.8	- 18.3	- 58.1
Imports						
Nonsocialist countries	8.9	5.9	2.3	1.4	26.4	- 2.1
Socialist countries	0.5	3.5	4.2	1.8	- 4.4	- 70.2
<b>Indebtedness and Foreign Exchange Reserves</b>	(in percent of exports of goods and services in free currencies)					
Debt	97.0	111.0	112.0	115.0	106.0	80.0
Debt service	22.7	24.0	24.8	24.4	19.5	15.2
Including interest payments	7.1	7.4	7.9	7.6	9.2	6.5
Foreign exchange reserves	2.8	2.5	2.4	2.6	0.8	1.8
<b>State Budget</b>	(in percent of GDP)					
Revenues	55.7	57.9	58.0	62.1	60.2	50.9
Expenditures	58.4	58.7	59.5	64.5	60.1	52.9
Balance	- 2.7	- 0.7	- 1.5	- 2.7	1.4	- 2.0
<b>Money and Credit</b>	(in percent of change at end of year)					
Broad money	3.9	6.0	11.5	3.5	0.5	26.9
Credits for enterprises and households	2.3	3.3	3.1	- 2.7	1.4	24.9
<b>Consumer Prices</b>	(in percent)					
Growth in consumer prices	0.5	0.1	0.2	1.4	10.0	58.7

\* \* \*

The IMF study, which contains a highly detailed description of the development in the individual areas of the economy as well as a detailed analysis of reform steps, is highly valuable material which supports the existing course of the reform. In contrast to many frequently quoted judgments, it is based on more than a two-year consistent study of the Czechoslovak economy done by an experienced and permanent team of specialists who monitor the Czechoslovak economy in conjunction with the credits granted. For us, its content can, therefore, represent a small source of satisfaction.

### Small-Scale Privatization Coming to Close

92CH0722B Prague EKONOM in Czech 5-11 Jun 92  
p 19

[Commentary by Eva Klvacova, of the Ministry for the Administration of National Property and Privatization, and Alena Buchtikova, of the Economic Institute of the Czechoslovak Academy of Sciences: "Small-Scale Privatization About To End"]

[Text] *The law on small-scale privatization was approved on 25 October 1990, and the first auction was held on 26 January 1991. Okres privatization commissions made preparations for, founders evaluated, and the Ministry for the Administration of National Property of the Czech Republic approved a total of 25,278 operating units for sale. By the end of May, virtually 19,000 operating units had been sold, and the auctions yielded proceeds of approximately 24 billion korunas [Kcs]. New private owners acquired property valued at Kcs6 billion, with all rights and obligations, because three-fourths of the auctions dealt only with the right to rent facilities for a limited time.*

What all was sold? Primarily retail stores. Some 14 percent of all sales involved self-service stores and stores selling customary foods, 5 percent were textile and clothing stores, 3 percent were meat and smoked-meat product stores, 9 percent were stores providing postal newspaper services and tobacco products, and 1 percent of the sales involved footwear stores, stores selling fine baked goods, florist establishments, and bookstores. Large numbers of service facilities (16 percent of all sales) and restaurants (9 percent) were auctioned off. Small-scale privatization even dared to involve hotels (not quite 2 percent of all sales) and smaller production enterprises and production centers (again not quite 2 percent of all sales). Even department stores, gasoline filling stations, and even computer centers were auctioned off—albeit in small numbers.

The average auction price was approximately 50-60 percent higher than the call price. In addition to reflecting the attractiveness of the operating unit being sold, the auction price also reflected the attractiveness of the locality of the facility and for all practical purposes proved the idiocy of centrally planned pricing. In Prague 1, the average auction price was fifteenfold of the call price and amounted to

virtually Kcs5 million. An average of twice the call price was achieved at auctions in Karlovy Vary, as one of the most attractive locations. In locations which were less attractive to investments—for example, in Okres Klatovy, Tachov, Zdar nad Sazavou, Prachatice, etc.—the average auction price and the average call price could be observed as being in agreement.

The dutch auctions, as a result of which the price could be up to 50 percent lower in comparison to the call price in the first round and could decline to 20 percent in the second round, attracted the attention of the public. There were, without a doubt, obvious and provable agreements between participants of auction sales (there was even a case in which participants informed the representative of the privatization commission of their agreement to concentrate on a dutch auction) and the absence of effective punitive sanctions rendered their real prosecution impossible. However, in the majority of cases, the dutch auctions were a reflection of inadequate demand at the call price. It is not by accident that, in Prague, dutch auctions represented only 8 percent of all sales (in Prague 1, they amounted to only 1.5 percent; in Prague 5, which has a lot of old unmaintained rental houses and factories, they amounted to 12 percent; in the highly attractive Prague 6, they amounted to 4 percent), whereas such auctions involved 14 percent of all sales in South Bohemia kraj and their numbers approached 20-25 percent of all auctions in some okreses (Benesov, 25 percent; Jicin, 23 percent; Pelhrimov, 23 percent; Prachatice, 23 percent; Rokycany, even 27 percent).

When compared to large-scale privatization, small-scale privatization resolved a negligible portion of the privatized property, although it is currently the most highly visible portion and, apart from having the fundamental effect, the purpose of which was the identification of private owners, it even had an expressly demonstrational effect. It provided the public with practical and palpable proof of the reality behind the intentions of the economic reform to supplant state ownership with private ownership. At the same time, it provided much valuable information and feedback for the authors of privatization laws and of the privatization strategy, as well as to all those individuals who deal with privatization in practical terms. It provided information on the real strength of the current management of privatized enterprises and on management's capabilities to create barriers to a method of privatization which was in conflict with the interests of the enterprise and its management.

The signals on the necessity for the existence of consensus in the area of privatization and of privatization methods were particularly important. They pointed up the aversion to privatization which transfers property to social strata which are unacceptable to the general public, they opened up the problem of dirty money, and the pressing need for solving that problem through a system of taxation. They indicated that the aversion of enterprise management was not aimed at privatization itself, but at privatization which minimizes the possibility for management to participate in it.

**'Postponement' of Anti-Goncz Initiative Analyzed**

92CH0715B Budapest MAGYAR HIRLAP  
in Hungarian 2 Jun 92 p 5

[Article by A. F. and P. Sz.: "Views on 'Freezing' the Proposed Statement"]

[Text] Imre Konya's proposal to postpone debate and a decision over the coalition parties' statement surprised parliament. We inquired from the opposition parties and from the Smallholders-35 about the reason for, and possible explanation of this retreat.

According to Gaspar Miklos Tamas, the chairman of the SZDSZ [Alliance of Free Democrats] OT [National Council], the obvious reason for the postponement was the ruling parties' and the government's lack of courage to accept responsibility for the adoption of the statement: They got scared, and for good reason. Elevating the will of the coalition to the level of parliament would have provoked a storm of outrage throughout the country. Such outrage would not have served the interests of the ruling parties; this has dawned on them, even if with a delay. The SZDSZ politician feels that even as things stand today, the coalition has inflicted terrible damage upon itself with this campaign. At the same time, the entire situation has produced some benefit: The ruling parties have revealed what they have intended to do with respect to disputed issues, Tamas added. They were prepared to do anything in order to restrict the freedom of the press, by going so far as creating a political conflict of this magnitude. On the other hand, the strength of Hungarian democracy and of the public has manifested itself in the fact that they were forced to retreat, Gaspar Miklos Tamas pointed out. Irrespective of what the Constitutional Court is going to decide, one can already see that the government and the coalition parties had suffered an undisputed political defeat. Statements to the effect that this issue would not be taken off the agenda, that their action represented only a postponement, amount to a "beauty plaster" only, the SZDSZ politician stressed.

FIDESZ [Federation of Young Democrats] faction leader Viktor Orban said that all he could do was to reiterate what he had said before placing this issue on the agenda, i.e., that whenever the MDF makes an unconstitutional proposal it becomes terribly nervous both as [a group of] representatives and as [a group of] lawyers. But whenever such attempts become inert or stop short for some reason, as in the present case, the MDF calms down because this, too, goes to prove that the constitutional barriers are rather firm and not even a self-assured parliamentary majority is able to disintegrate those. Orban believes that the decision to retreat has been based on a realistic assessment of the situation. The MDF has assessed the situation and has recognized that it would be unable to sustain its legal arguments; it has realized that a campaign against the President of the Republic could only lead to increased unpopularity, therefore the MDF "froze" the entire issue. They did not

rescind the statement, because who knows when the MDF wants to once again "retrieve the whip instead of honey," the FIDESZ representative said.

MSZP [Hungarian Socialist Party] faction leader Zoltan Gal: I was surprised, because I did not expect a retreat after the determination manifested by the coalition during the previous days. The ruling coalition has gone as far as the ideas conveyed by Jozsef Debreczeni's article in NEPSZABADSAG, an article that obviously reflected more than his own personal view. The function of the President of the Republic had come under attack. I believe that the coalition has recognized yesterday that it had suffered a political defeat in this regard. Statements made by Imre Konya's group were only meant to improve the looks of their path of retreat. The coalition is totally uncertain about the kind of response it should provide to the country, and within that, about its own situation. They were spasmic even when they introduced the statement. But there is hope, because we cannot be certain that the word of those who introduced the statement, and the trend they represent is the exclusive view that prevails in the ruling parties. I agree with Gyula Horn when he says that the simultaneous rise of initiatives to make a statement, and of issues related the Constitutional Court suggest that conscious political activities have been going on. The coalition wanted to build a tough case for political prestige while demonstrating maximum respect for the Constitution. Horn is also correct when he says that all this noise had been received with disinterest by the competent western public and media.

Speaking of the MSZP I would add that it is a total misunderstanding [to attribute any meaning to the fact that] too many Socialist representatives had been absent when the vote was taken to place the issue on the agenda, [and to claim that] this could have been a deliberate action on part of MSZP representatives. The problem was caused by the presence of eight MSZP representatives in the chamber who abstained from casting a vote. The three opposition parties caucused, but we learned that the liberals did not want to negotiate with the MSZP. We did not want to vote on this issue at first, but later on we adapted ourselves. Not everyone learned about this subsequent decision, accordingly, all this amounted to no more than a little confusion.

This newspaper wanted to find out from Sandor Olah, one of the Smallholders' 35 representatives, to what extent the "abstaining" conduct manifested by the 35 representatives contributed to the postponement of debate over the coalition proposal.

Olah had this to say: It is not true that a uniform rejection by the 35 prompted the retreat, on the other hand, the fact is that faction leader Gyula Pasztor was one of the initiators of postponement. Accordingly, the situation that evolved was due not to a small extent to the initiative of, and views represented by the 35, Olah said. The statement would have received the support of a 50 percent majority in parliament, but the coalition

was aware of the fact that parliamentary work required a continuous search for consensus, Olah explained.

**Antall's MSZMP Advisers, Goncz's Status**  
92CH0785A Budapest HETI VILAGGAZDASAG  
in Hungarian 20 Jun 92 p 72

[Article by attorney Imre Boross, executive secretary of the National Smallholders Party: "Discretionary Authority"]

[Text] Three years and a few days ago, on 10 June 1989, representatives of the Opposition Roundtable [EKA], the MSZMP [Hungarian Socialist Workers Party], and the Third Side signed the agreement to initiate national mediation talks. I took part in these negotiations as the Independent Smallholders Party [FKgP] representative and on behalf of the EKA—together with Jozsef Antall, Imre Konya, Peter Tolgyessy, and Viktor Orban—and I was also a member of Subcommittee I/1 that dealt with constitutional amendments. (The MSZMP delegation included Jozsef Kajdy, Peter Szalai, and Istvan Somogyvary, presently direct subordinates of Jozsef Antall, by this time the prime minister.) This subcommittee dealt with amendments to the Constitution, and within that, with the authority of the president of the Republic.

Recalling the debating sessions of those days, many times reaching into the night, is of no small interest. Quite often, these were rather heated debates, but I do not recall anyone having perceived the president's scope of authority as having an exclusively representative character, or the president as serving as sort of a rubber stamp for the head of government. The Hungarian Democratic Forum [MDF] was thinking in terms of shared power while ensuring peaceful transition, envisioning Imre Pozsgay as president of the republic to offset an opposition, preferably an MDF prime minister. Although this calculation had subsequently been wiped up as a result of an ad hoc coalition formed by the SZDSZ [Alliance of Free Democrats], the FKgP, FIDESZ [Federation of Young Democrats] and the Social Democratic Party in the "Four Yes" referendum, no one in the Subcommittee perceived the the future president's scope of appointing authority as limited to the mechanical signing of submissions. At the sessions, and particularly in the course of background discussions within the EKA, but also in the press, frequent mention was made of the fact that the negotiating parties wanted to establish a "medium strength" presidential institution, using this, rather sloppy term. (How beneficial it would be to fulfill, at the earliest possible date, the promise made by National Assembly President Gyorgy Szabad, to make public the entire transcript of the negotiations and to replay all, or at least six hours of the film recordings!)

Well, a president with this scope of authority also appears in the latest Constitutional Court decision. Many things were said in conjunction with the media affair about the appointing and dismissing authority,

and about interpretations of that authority. I would like to comment only on one aspect of this issue, notably the subjective aspect. One cannot dispute the right of anyone, thus also of the head of state, to decide on the basis of his own inner conviction, conscience, and all the circumstances (background, legislative process, general political conditions, trends manifested by the government, etc.) whether a given appointment or dismissal—of the media presidents, in this case—could trigger grave disturbances in the functioning of the state organization, as a result of which the affected organ would be rendered incapable of performing its basic functions, including the protection of basic rights related to the functioning of that organ.

The president must strive for maximum objectivity in making his decision. Who could question his objectivity? There are as many considerations, approaches and viewpoints as there are people, and everyone expressing an opinion vouches for his own objectivity. In the media case, too, some believe that the voice of the opposition is overbearing, and this is one reason why a change is needed. Others accuse the government of voiding the original consensus and of wanting to conquer the media, and cite endeavors to establish a party state that also appear in other fields. (By neglecting to provide arguments one could, of course, qualify this view as stupid, crazy, or dumb.) Even a partial success of endeavors to establish a party state would result in the gravest possible disturbance of democratic functioning, the destruction of basic constitutional rights and of political achievements thus far, and, in the final analysis, would result in a reverse arrangement, even if different watchwords were to be used. The president must deny an appointment or dismissal in any field (media, administration of justice, state administration) if the appointment or dismissal has the above purpose!

Judging the existence of endangerment is a matter of weighing the pros and cons. The authority to make such judgments can also be abused. But abuse must be proven by the one who asserts that authority is being abused. But who would dare to responsibly claim that he possesses the philosophers' stone, that his is the sole objective judgment. One could cast votes to this effect based on political considerations, but fortunately, it would be impossible to find 246 (two-thirds) representatives in the Hungarian parliament willing to do so.

How do we get out of this situation? Political consensus is the only way out, because the issue cannot be resolved by legal means! The Constitutional Court, too, suggests to Jozsef Antall to follow this course, when, in the introduction of its decision, it very elegantly, but firmly requests him not to burden the highly prestigious body by seeking to resolve individual cases. The people of Hungary expect those in power, the National Assembly, to accelerate the flow of substantive legislation, to overcome the economic concerns, to halt the process of impoverishment, to manage unemployment, and to stimulate the creation of workplaces, and not to hear and see clamors about the media, scandals, and statements



whose substance is worthless. Unless the people receive what they expect, they will withdraw their confidence in a spectacular fashion: They will not exercise their rights as citizens and will not go to the ballot box, or if they do, as they recently did in Bekescsaba or Kisber, they will once again vote against, and not for something.

People professing a national and Christian value system, like I do, are particularly saddened by having to see day after day the increasingly shrinking legitimacy of those who two years ago had received the voters' confidence and mandate not to pursue ingenious camarilla politics, but to effectively govern based on these values—a shrinkage akin to Balzac's donkey hide.

### Constitutional View on Media Law Debated

92CH0715A Budapest MAGYAR HIRLAP  
in Hungarian 12 Jun 92 p 5

[Article by E. N.: "Interpretation of the Constitution Regarding the Media"]

[Text] Problems involving the interpretation of the Constitution may arise relative to the legislative proposal on the radio and the television, because the ruling parties claim that only certain parts of the law must be adopted by a two-thirds majority of the representatives, while the opposition asserts that the law as a whole must be adopted by that margin. I asked MDF [Hungarian Democratic Forum Representative] Ferenc Kulin and SZDSZ [Alliance of Free Democrats Representative] Miklos Haraszti to support their respective views.

Ferenc Kulin: The Constitution clearly states which parts of the law must be adopted by a qualified majority; these pertain to the appointment of the presidents of the radio and the television, the composition of the supervisory committees of public service media, the order of licensing commercial radio and television stations, and the adoption of antimonopolistic rules. Conceivably no law is going to be enacted and the 1974 government decree is going to remain in force until it is struck down by the Constitutional Court. Based on a previous decision of the Court, however, the Court cannot strike down these provisions before the enactment of the law. The antimonopolistic provisions could be severed from the media law and could be dealt with in the framework of a separate law subject to the approval of a two-thirds majority. Frequency moratorium exists on the basis of a tacit agreement only, its origins cannot be traced to any law. The moratorium would automatically cease upon the enactment of the new law. If it were not to cease automatically, the government would find itself in a constrained situation in which it could issue licenses to local and regional stations only and not to prospective commercial radio and television station operators.

Miklos Haraszti: The Constitution requires a single media law, in which the topics enumerated are mutually inseparable and are also inseparable from a series of other topics, such as the legal situation and financing.

Every chapter of the information law cannot be enumerated separately in the basic law. I am also unable to perceive the technical feasibility of passing a law subject to the approval of a simple majority relative to the legal status of the board of directors or the financing of the foundation. These matters involve some tough supervisory elements, and not even the licensing of local television stations lacks elements related to the appointment of leaders. What we are witnessing here is the same game we have witnessed relative to the appointments law. They disregard the intent of the Constitution and try to interpret constitutional provisions by twisting them out of shape. This has been made impossible by the most recent Constitutional Court decision that rules out one-sided political bias from the information system. The information to be provided must be complete, proportionate and consistent with reality, and the public radio, the public television, or any element of these is only part of this. If a law subject to adoption by a simple majority were to be enacted, they would make the same mistake they have made with respect to applying the Council of Ministers Decree of 1974: They would not prevent government interference in the still unregulated areas of information provision. Based on the Constitutional Court decision, the media law should be enacted by 30 November. Some people believe that the Constitutional Court would be "grateful" if passage of the media law were to be prevented for a long enough time; they believe that the Court would declare a constitutional violation by default, and that as a "reward" the Court would permit governmental supervision to remain in force. The truth is that the Court has established a deadline for fully settling this issue.

[Box, p 5]

### The Constitution on Freedom of the Press

#### Paragraph 61

- (1) All persons in the Hungarian Republic shall have the right to freely express their views, and further, to familiarize themselves and to disseminate materials of public interest.
- (2) The Hungarian Republic shall recognize and protect the freedom of the press.
- (3) The vote of two-thirds of the National Assembly representatives present shall be required for the adoption of the law concerning the public character of public interest information and of the law concerning the freedom of the press.
- (4) The vote of two-thirds of the National Assembly representatives present shall be required for the adoption of the law concerning the oversight of the public service radio, television, and news agency, as well as the appointment of the leaders of these organizations, and further, concerning the licensing of commercial radio and television stations, and the prevention of monopolies in the field of information.

**Gonczi Explains Stance on Media Chiefs to Antall**  
*92CH0800A Budapest MAGYAR HIRLAP*  
*in Hungarian 2 Jul 92 p 4*

[Letter by President Arpad Goncz to Prime Minister Antall, written in Budapest on 30 June 1992: "Letter by the President of the Republic to Jozsef Antall"]

[Text] Respected Mr. Prime Minister!

This is to inform you that based on Paragraph 1 Section (1) of Law No. 57 of 1990 concerning the order of appointing the leaders of public service information media, I am not dismissing from their positions Dr. Csaba Gombar, President of the Hungarian Radio, and Dr. Elemer Hankiss, President of the Hungarian Television, as requested in your Proposals No. 0159-XXIII/1992 and No. 0172-XXIII/1992.

### I.

Proposal No. 0159-XXIII/1992 to dismiss the president of the Hungarian Radio arrived at my office on 23 June 1992.

Guided by Constitutional Court Decisions Nos. 48 of 26 September 1991, 8 of 30 January 1991, and 36 of 10 June 1992, and based on my duty to guard the democratic functioning of the state organization, I first had to examine the Proposal from the standpoint of whether it complied with legal provisions in force.

In the course of this examination I determined that a document attesting to the fact that a committee hearing had been held, was not attached to Proposal No. 0159-XXIII/1992.

1. With respect to proposals to dismiss the radio president, Law No. 57 of 1990 requires that the person proposed to be dismissed be heard at a public hearing before the National Assembly Committee on Cultural and Press Affairs.

The Committee has not held a hearing on this subject since the rejection of an earlier proposal to dismiss Dr. Csaba Gombar.

The letter forwarded by you, Mr. Prime Minister, to me, in addition to the Proposal, contains references that suggest that you believe that the Committee's obligation to hold a hearing had been discharged as a result of Dr. Csaba Gombar's hearing of 7 May 1992 before the Committee.

Constitutional Court Decision No. 36 of 10 June 1992 clearly indicates, however, that any proposal to dismiss—even a proposal that had once been submitted, but had been returned for the inclusion of missing data—must be regarded as a new proposal.

Dr. Csaba Gombar's 7 May 1992 hearing has already been judged; it satisfied the requirement [of hearing the person to be dismissed] of a proposal over which judgment has already been passed; thus, by logic, the 7 May

hearing could not have satisfied the requirement [of hearing the person to be dismissed] to validate the present Proposal.

2. Considering the fact that no Committee hearing has been held relative to your Proposal dated 22 June 1992 concerning the dismissal of Dr. Csaba Gombar, that Proposal did not satisfy requirements established in legal provisions now in force. Since you are referring to an earlier document which, as a formal requirement, has already been judged previously, the same document cannot not be used to complete the requirements of the [present] Proposal.

Accordingly, based on Constitutional Court Decision No. 48 of 26 September 1991, it is my duty to reject the Proposal, because it fails to comply with effective legal provisions.

Considering the fact that based on the Constitutional Court's view, judgments concerning the acceptance or rejection of a proposal to dismiss a person must be exercised not with respect to the person to be dismissed, but in due regard to the operating capability of the affected institution, the Proposal to dismiss the president of the Hungarian Radio cannot be accepted for substantive reasons either. These reasons have been considered in conjunction with the dismissal of the president of the Hungarian Television as described below.

### II.

The prime minister's Proposal No. 0172-XXIII/1992 to dismiss the president of the Hungarian Television as of 15 September 1992 was received at my office together with the renewed initiative to dismiss the president of the Hungarian Radio.

1. A document attesting to the fact that a Committee hearing had been held was not attached to the Proposal in the form of an appendix. Consistent with my procedural duties prescribed by the Constitutional Court, I obtained position statements from the 13 members of the Committee, as well as a separate opinion signed by ten members of the Committee, thus completing the incomplete Proposal.

2. I examined the substantive aspects of the Proposal within the framework provided by Constitutional Court Decisions No. 48 of 26 September 1991, No. 8 of 30 January 1992, and No. 36 of 10 June 1992, while keeping in mind that the condition established by the Constitution for refusing an appointment on substantive grounds cannot be interpreted to apply to dismissals.

Even on the basis of interpretation contained in Constitutional Court Decision No. 37 of 10 June 1992, the freedom of the press cannot be realized without providing full information of balanced proportions and consistent with reality. Providing such information is the fundamental function of the public service media, and the possible incapacity of the Hungarian Television—at



present in a monopolistic situation—to perform this function would be a manifestation of its inability to function.

The free expression of views plays an eminent role among the basic constitutional rights of every democratic state. The Constitutional Court has stated in its Decisions No. 30 of 26 May 1992 and No. 37 of 10 June 1992 that relative to the expression of views the state has an obligation to protect the related institutions. Thus both the individual right to express one's opinion, and the duty of the state to establish conditions for the evolution and maintenance of the functioning of a democratic public opinion are based on Paragraph 61 of the Constitution.

According to guidelines provided by the Constitutional Court, full information of balanced proportions and consistent with reality can only be provided as a result of a solution which "rules out the possibility of state organs or any social group decisively influencing the program content."

The prohibition to influence the content also applies to indirect influencing and to the opportunity to influence, according to the Constitutional Court guidelines.

As the Constitutional Court pointed out in its Decision No. 37 of 10 June 1992, the peculiar guarantees for the freedom of the radio and the television "are not linked from the outset to either an organizational or a legal form," nevertheless, organizational solutions must, by all means be developed, and must be regulated in detail, by law.

According to laws presently in force, the Hungarian Television is headed by one person, its president, and, for the time being, the legally sanctioned procedure by which the president acquires (or loses) this office serves as the guarantee required by the Constitutional Court.

According to your repeatedly expressed view, whoever occupies the position of vice president at any given point in time exercises the authority, or performs the functions of the president of the Hungarian Television after the dismissal of the president and until succession is settled pursuant to the legally required procedural order, but without having to perform the act of appointment regarding the vice president, because no provision governing a vacancy in the President's position exists.

With respect to Dr. Gabor Nahlik, the appointed vice president of the Hungarian Television, conditions for refusing to appoint him as president of the Hungarian Television exist, even though there were no obstacles in the path of appointing him as vice president. In my judgment, under Dr. Gabor Nahlik's leadership, (in the absence of control exercised by the president), the institution would not be able to provide full information of balanced proportions and consistent with reality of views expressed in society, nor would it be able to provide unbiased information concerning events and facts of interest to the public. Thus, I am convinced that

a possibility exists that Dr. Gabor Nahlik could not resist the external and internal influences exerted in various directions presently experienced by the public media.

Such influence is capable of endangering the freedom of the public media, the freedom of the press, the freedom to express one's opinion, and the freedom of the free flow of information, and this is so according to guidance provided by the Constitutional Court, and also in my judgment.

3. The inability (or possible inability) to enforce or to defend these rights, would result in the inability of this organ to perform its basic functions (inability to function). And as long as one has substantial grounds to conclude that as a result of complying with a proposal concerning a person, the organ affected by the appointment (dismissal) would become incapable of performing its basic functions, including the institutional protection of basic rights related to the operations of that organ, one could also conclude on the basis of Constitutional Court Decision No. 36 of 10 June 1992 that a direct and grave disturbance of the democratic functioning of the state could not be prevented, in this instance as a result of exercising another authority of mine.

For this reason I found it necessary to perform my duty prescribed in Paragraph 29 Section (1) of the Constitution and to reject, on substantive grounds, the Proposal to dismiss Dr. Elemer Hankiss.

Budapest, 30 June 1992

Greetings:

Arpad Goncz President of the Hungarian Republic

#### **Intraparty Tensions in Budapest Local Governments**

92CH0800B Budapest MAGYAR HIRLAP  
in Hungarian 6 Jul 92 p 5

[Article by L. Szu: "Conflicts in Budapest Local Governments"]

[Text] It seems as if the number of local conflicts had increased during the past six months. Month after month, new, tense meetings are being held by various bodies, and signs of crises present themselves in an increasing number of districts. Most of the time, however, the storm develops not between various party factions: Virtually without an exception, the attacks focus on the No. 1. leader of a given local government.

Local representatives introduce series of no confidence motions against mayors, demanding their resignation, forcing them to leave. Mainly Budapest suffers from this kind of mayoral crisis: during the past six months conflicts erupted in Angyalfold, Terez City, Jozsef City, Erzsebet City, and in Ujpest, but similar incidents have also occurred in Budaors, Sopron or Debrecen, for example.

"The conflicts do not have their origin in partisan politics," according to a statement by Terez City Representative Vilmos Heiszler, and it appears that this statement also applies to the rest of the districts. In reality, mostly the liberal factions initiate the dismissal of their liberal leaders. They support their arguments by claiming that the mayor is unfit, asserting that he had acted arbitrarily, that he had disregarded or vetoed the resolutions of the general assembly, or that there is a lack of commonality of thought. Peter Szentgyorgyvolgyi, the regional prefect overseeing the functioning of the autonomous local governments of Budapest, however, is not concerned about the mayors' scandals. In his view the lack of adequate competence on part of representatives causes the greatest concern: From a practical standpoint every seventh resolution requires a review of the legality of action, and a few decrees promulgated by the Budapest General Assembly had also been found to be unconstitutional. Accordingly, in many instances, not only the fitness of mayors comes into question, but also the fitness of local legislative bodies.

**Gallup Poll: Hungarians Oppose Gabčíkovo Dam**  
92CH0715C Budapest NEPSZABADSAG in Hungarian  
6 Jun 92 pp 1, 6

[Article by Lajos Geza Nagy: "No Need for a Power Plant at Bos"]

[Text] Two-thirds of the adult population is interested in the debate over constructing a power plant at Bos [Gabčíkovo]. Nine out of ten interested persons are aware that the Hungarian government opposes the construction of the power plant, and every second interested person believes that the government is not going to be able to prevent the Slovaks from building the power plant. More than two-thirds of the interested persons express personal views opposed to constructing the power plant. Seven out of ten opponents of the power plant would maintain this position even if the failure to construct the power plant "resulted in a significant deterioration of Slovak-Hungarian relations," or, if as a result of such failure "large reparations would have to be paid by Hungary." If, however, the failure to construct the power plant "resulted in a deterioration of the situation of Hungarians residing in Slovakia," every second opponent of the power plant would continue to maintain his or her position opposing the construction, and every second person would discontinue his or her opposition.

These are the most important findings of the public opinion survey of a 1,000 person sample representative of the country's adult population conducted by the Hungarian Gallup Institute between 14 and 17 May 1992, as commissioned by NEPSZABADSAG.

The Hungarian-Slovak dispute over the construction of the Bos-Nagymaros hydroelectric plant has been the subject of news report and commentaries on television, radio and in newspapers for months. This issue has

preempted all other problems by early May, and has become one of the most important news items. NEPSZABADSAG reported on 8 May, a week before the Gallup survey, that "the government has cancelled the Bos-Nagymaros agreement." A further review of NEPSZABADSAG indicates that on 9 May the newspaper reported that "Carnogursky is still pondering the response"; on 11 May: "Pozsony [Bratislava] is not willing to negotiate a new treaty"; 12 May: "Pozsony does not believe in negotiations"; and on 13 May: "Calfa and Madl—Statements Concerning the Dam." On 14 May, the day when the survey began, a NEPSZABADSAG report appeared with the title "Madl: We Will Soon Deliver a Document Terminating the Agreement"; on 15 May a headline reported a "Last Minute Turn-around in the Bos-Nagymaros Case—There Will Be Negotiations"; and on 16 May NEPSZABADSAG reported: "Bos Negotiations: Contra, Recontra—Budapest Finds Monday as Too Early a Date." The closing step took place on 20 May, following the conclusion of the public opinion survey, when NEPSZABADSAG reported that "We Will Terminate the Agreement Effective 25 May," based on an announcement to parliament by the minister without portfolio.

Deviating from the customary practice, in this instance the Gallup survey did not ask people to provide their sources of information relative to this issue, but instead, people were asked about the extent to which they were interested in "the dispute concerning the construction of the Bos power plant." On a scale of one to five, with five representing "very much interested," and one representing "no interest at all," one-fifth of the people (21 percent) ranked themselves in the highest category. No one designated his level of interest by choosing the lowest category. The respondents' average "intensity of interest indicator" of 3.76 indicates that the public is seriously preoccupied with the fate of the Danubesour. All this is not contradicted by the fact that almost one-third of the people (29 percent) has failed to define its level of interest by saying "I do not know."

In viewing the populace as a whole, one finds that 62 percent of the people are aware that "the Hungarian Government is opposed to constructing the power plant." Considering only those who expressed any level of interest in the issue (709 people), this ratio is far greater: nine out of ten people (or 87 percent) are aware of the government's position, and only 7 percent believe that the government is supporting the idea of constructing the power plant.

A relatively large uncertainty exists as to whether the "Hungarian Government is going to succeed in persuading the Slovaks not to build the Bos power plant." Irrespective of whether one views the populace as a whole, or only those who identified themselves as having any level of interest, the majority (41 percent [as published—not a majority] and 57 percent respectively) believes that the government is not going to succeed in this respect. Fourteen percent and 20 percent respectively are convinced of the opposite. One-quarter (23

percent) of the interested persons express their sense of uncertainty by choosing "I do not know" as the answer.

Half of the populace, and 69 percent of the interested persons is opposed to constructing the power plant. Within the latter group, one-fifth (21 percent) of the respondents takes the opposite view and one-tenth has no firm opinion or does not state such its view.

Seventy percent of those opposed to the power plant (487 persons) would maintain their view even if the failure to construct the power plant resulted in a "deterioration of Slovak-Hungarian relations," and almost the same number (67 percent) would do so even if "Hungary had to pay a large amount of reparations as a result." One-fifth of those opposed to the power plant (22 percent and 20 percent) would not agree to pay that price. Fifty-nine percent of those who oppose the power plant would not change their views, even if the prevalence of the Hungarian position would "evoke the disapproval of West European countries"; more than one-quarter of these (29 percent) would "retreat," if that were the case. Those opposed to constructing the power plant are divided regarding risks involved in possible negative changes in the lives of Hungarians in Slovakia. They would maintain, alternatively change their positions in almost equal proportions (41 percent and 43 percent). A "threat of war" would represent too high a price to a significant number of the opponents (66 percent), but one-fifth of the opponents (22 percent) would take even this risk, just to prevent the construction of the power plant.

### Minister on Privatization Progress, Options

#### Privatization Conference

92CH0762A Budapest FIGYELO in Hungarian  
25 Jun 92 pp 1, 21

[Article by Ervin Zsubori: "End-of-Century Final Sale; Tender Care Instead of Acceleration"]

[Excerpts] As we go to press, parliament has passed only the law on entrepreneurs' property remaining permanently in the state's ownership; the vote on the drafts of two other laws has yet to begin. The parties in the opposition failed again to make any essential changes in the text of the law. Along with the discussion of the law in parliament, you can read about two conferences and the planned leasing concept in the articles concerning privatization printed on page 21. [passage omitted]

A reduction in the issuing of currency, the inflation, and unemployment: At the Second National Conference on Privatization, Tamas Szabo, minister without portfolio, pinpointed these three areas of tension as the most painful, though unavoidable, concomitants of the economy's transformation.

The question is, is it possible to release these tensions, the severity of which have been seriously underestimated. In connection with this matter, acceleration is

sometimes mentioned as a solution, something which might come into question theoretically, but hardly in practice, because it would endanger all the results which have been achieved so far. On the other hand, the economy is moving and there is hope, in Tamas Szabo's opinion, that it will solve the problem of assuming a new course on its own. This spontaneous movement of the economy can be fostered by providing "tender care" for processes which are already in progress. For instance, by making up for institutional shortfalls at the earliest possible moment: The further development of the system of guarantees, the establishment of a system of mortgages, and the improvement of conditions for loans. Steps can be taken in the area of the infrastructure, as well, which, though they do not amount to intervention, will promote modernization.

Generally, privatization is said to be slow. According to Tamas Szabo, the issue of speed in itself cannot really be analyzed; the real question is, at what pace the economy can absorb the new structure of ownership, of private property. A greater problem is the limits on demand. In this area certain steps can be taken towards acceleration without endangering the balance. Privatization leaseings (for details, see boxed article), leasing options, installment plans, and possibilities for employees and managers to acquire shares in their companies, all serve the purpose and provide hope that a portion of the savings by the population which has been passive so far would be used to acquire property.

Another problem is the structure-conserving effect of privatization: So far, the process does not promote modernization. Newer steps are needed to increase competitiveness, as well. Further decentralization, such as the extension of self-privatization, could serve this purpose well.

The fact is that by the end of April, of the nearly 2,000 state-owned companies, about 292 became corporations during the last two years (63 of them by way of self-privatization, 200 through privatization on the investor's initiative, and 29 on the active initiative of the state). The number of conversions in progress is over 600. As Lajos Csepi, managing director of the State Property Agency [AVU] pointed out, if (and only if) there is no buyer who can pay cash, the AVU will gladly consent to any form of purchase on easy terms, because it knows that state-owned property without a proper master is the worst form of ownership.

It is a difficult task to determine what should become of the inventory of property which has been left with the AVU for strategic reasons, or for lack of buyers. At the moment, according to Director Peter Kazar, about 700 billion forints worth of property is at the AVU's disposal. This amounts to approximately 65 percent partial ownership by the companies involved. According to an existing plan, about 420 billion forints worth of this property would be taken over by the State Trustee, Inc., and thus the AVU would have to manage a portfolio worth approximately 300 billion forints. According to

present plans, it would do so in a way that would conform to the goals of privatization.

From this package, about 120 billion forints worth of property can be regarded as already under privatization, i.e., negotiations are already underway with potential buyers. Over and above this, property worth roughly 4-5 billion forints is about to be handed over to trustees, and so far property valued at 3-4 billion forints is intended to be devoted to create corporations or raise the starting capital of already existing corporations (this latter item can eventually amount to tens of billions).

A considerable portion of the inventory will be used up by various instances of transferring property. For instance, this year Social Security will have to receive 100 billion forints, and some time later another 200 billion (from the present volume of property, approximately 65 billion can be set aside for this purpose); the property will not be handed over to Social Security directly, but rather the income from its sale should insure investment possibilities for the Social Security administration. About 50 billion forints will be set aside for purposes of compensation.

So far privatization has been characterized by an orientation towards income, something which favored primarily foreign investors because domestic demand has been slim (so far, 80-85 percent of privatization income has come from foreigners, although even so, let us add, foreign capital's share in our economy amounts to only about 3 percent). Thus, privatization did not really contribute to the creation of a domestic property-owning middle class. For this reason, too, we must strengthen the acquisition of property by employees and managers, as Imre V. Csuha has said. The prime minister's private secretary emphasized that the chastisement of spontaneous privatization is over; indeed, the government needs the managers' participation in privatization.

#### Parliamentary Proceedings

92CH0762B Budapest FIGYELO in Hungarian  
25 Jun 92 p 21

[Article by G. K.: "Shall We Omit Paragraphs 1 through 32?"]

[Text] "For the Association of Free Democrats [SZDSZ], it is still questionable whether there should be a State Trustee, Inc. at all. As you can see, point 1 of the committee's report contains a proposal by Karoly Lotz, Matyas Eorsi, and me, which maintains that the title and paragraphs 1 through 32 should be omitted; only through 32, because there are no more," said Attila Karoly Soos, among other things, during last week's discussion in parliament on the state's entrepreneurial property.

By the time you read this, parliament will probably have passed laws on the issue—we gave detailed information on the proposals for the laws in issue 11, 1992 of our paper—and, as we know, this proposal, which was not even supported by one-third of the representatives, will

not be found among the accepted modifications. The SZDSZ representatives who put forward the motion could expect no more because they initiated several other modifications, also unsuccessfully, together with the Smallholder Pal Dragos and the independent Janos Palotas, an uncommon combination.

That the property remaining permanently in state ownership would be determined by the government and not by parliament was criticized not only by the parties of the opposition, but also by Pal Dragos, a representative of the Smallholders Party, and Nandor Rott, representative of the Christian Democratic Party. However, their proposals for modification, handed in separately, also received no support in the discussions by the committees. Other proposals for modifications drawn up by representatives of the opposition, which attempted to prevent the work of the State Trustee, Inc. from becoming a part of the government's activity and to hinder the financing of political goals by foundations, are also thought-provoking. However, they cannot expect these to be accepted, either.

#### Leasing Concept

92CH0762C Budapest FIGYELO in Hungarian  
25 Jun 92 p 21

[Article by Zsubori: "Privatization Leasing"]

[Text] One of the clearest limits to privatization is the slim domestic demand. The AVU [State Property Agency] will soon attempt to increase demand by the introduction of privatization leasing, a concept to be discussed by the government, from which it hopes to increase the sale of low income, state-owned companies which are not very attractive to foreigners but which have a potential for improvement.

As in traditional instances of leasing, the leased object—in this case, the majority portion or totality of a state-owned company's shares—becomes the property of the lessee (who exercises all corporate rights except for that of sale), but until the lease expires, or the leasing fees are paid in their entirety, the proprietary rights remain with the lessor, in this case the State Property Agency.

The group of companies which can be sold in this framework will be designated by the AVU (as was the case with self-privatization). According to a preliminary plan, in the first round, companies having capital which does not exceed 500 million forints would participate in the program, but in particular only if they could not be sold for cash.

The right to lease individual packages of shares can be acquired by domestic natural persons, or groups or such persons, through bids. In other words, corporations, legal entities, and foreigners cannot participate in the program. The AVU regards as potential customers primarily groups consisting of the management and employees of the companies in question. The winner of the bids will be the one who, beyond having an acceptable plan for

reorganization, undertakes the highest leasing fee for a given term of the lease. An important element of the plan is that the company can account for the payments of installments as extraordinary expenditures, i.e., they do not have to be paid from profits. The lessee also agrees to preserve the company's property, to have its books audited once a year, and to leave potential dividends in the firm (the AVU agrees to the same).

According to the plans, the length of the term will be determined by the value of the property. Up to a value of 50 million forints, the term can be at the most five years; up to 100 million forints, six years; and above that, at the most eight years. Because of inflation, the installments will be increased once a year (the rate of increase will be based on 60-80 percent of the central bank's prime rate). Payments can be made semiannually or in shorter intervals. As a favor, in the first year only 50 percent of the payments will be due.

The lessee must have a guarantee for the entire duration of the term of the lease amounting to at least the value of the installments to be paid in the first year (approximately 6-10 percent of the entire leasing fee). There is no need for prepayment. The lessee is entitled to make prepayments, or even pay the entire leasing fee at once, but strictly from outside sources alone. In such a case, or at the end of the term of the lease, the leased object automatically becomes the property of the new owner. However, if the lessee cannot fulfill his obligations as determined by the contract (e.g., a loss of property occurs), or if he is unable to pay the entire leasing fee during the term of the lease, the AVU is entitled to dissolve the contract immediately, and to sell or lease the portion of the property to someone else during the process of reaching a final settlement.

In the case of a successful venture, the new owners have an obligation to pay individual income tax based on the acquired value of the property. The terms of taxation applied to this case will be the same as those applying to employee shares which have been acquired free of charge. Namely, the actual tax will only have to be paid on income from the potential sale of the portion of the property in question.

### **Creditworthiness Questioned**

92CH0762D Budapest FIGYELO in Hungarian  
25 Jun 92 p 21

[Article by E.Zs.: "Is the Employee Shared-Ownership Program Going To Be Creditworthy?"]

[Text] The Employee Shared-Ownership Program [ESOP] (the most important basic principles of which were published in the last, 1992/25, issue of FIGYELO) is very nice, very good, but it will hardly be easy to implement in reality. This fact was revealed, among other things, at the national conference following the acceptance of its method by parliament.

To be sure, many nice things can be said about the ESOP: for instance, that in the United States, which has a fairly well-developed market economy, more than 10,000 companies are partially or completely owned by their employees, and most of these are successful enterprises; that there is no political democracy without economic democracy, i.e.; that the number of small proprietors must be increased, and the ESOP is a good way of doing this; that valuable jobs can be saved if the companies are purchased by the employees. And so on. However, two things must not be forgotten. For the employees to buy the firm on favorable terms, it must be sold to them (i.e., not to others). On the other hand, a purchase on favorable terms must be financed by someone. And this is where the trouble begins.

As far as the seller's criteria are concerned, Lajos Csepi, managing director of the State Property Agency [AVU], declared at the conference that the most important task of privatization in Hungary is to increase the efficiency of national production by finding new, responsible owners interested in profit. The other important basic principle is that privatization should occur on the open market, under conditions of competition. Consequently, however much the Employee Shared Ownership Program is an important and welcome possibility, it must fit into the present framework, and bids for purchase obtained in this way must be prepared to be measured against competition. Thus, initiatives towards ESOP's are welcomed by the AVU, but they will only be accepted if there is no better bid (i.e., one that would pay cash immediately). Of course, this is only true for state-owned companies; when privately owned companies are purchased in the framework of an ESOP (the possibility exists for this, although it will hardly be a frequent phenomenon), then naturally it is the owner's right to make a decision about the transaction.

Be that as it may, money is necessary for the ESOP, too, and for this reason banks occupy a key position in the method's ability to function. Financial institutions are interested in this new opportunity, said Miklos Pulai, first secretary of the Banking Association, but numerous questions of detail must be clarified.

From a financial point of view, and there is no room for sentimentality here, the most important document is a feasibility study, on the basis of which banks will believe that an enterprise has a future and will be able to pay the installments. If the plan is not convincing enough, the banks will hardly agree to give credit for even 10 years.

Let us consider a case in which state property is purchased on credit in the framework of an ESOP. In such a case, the bank of commerce finances the transaction from a refinancing loan by the Hungarian National Bank [MNB]. Let us see who risks what in this case. The individual employee who obtains a share of the property through the ESOP organization basically only risks his own obligatory principal which amounts to 2 percent in the case of a share of property worth up to one million forints, i.e., 20,000 forints (over 10 million forints it is



only 20 percent). The seller (in this case, the AVU) actually risks nothing, because he receives his money at the beginning of the transaction. Thus, the risk (between 80 and 98 percent) lies with the bank of commerce, which will have to pay back the loan to the MNB in all events; to do so in case of missed installments, bankruptcy, or failure, it will have to take out loans at the interest rates prevailing on the market. Undoubtedly the banks will think ten times about which ESOP initiative they will finance.

Moreover, even demanding security will not be reassuring enough for the bank, because if the ESOP organization cannot pay, it will only be because it is in grave difficulty, and in that case the package of shares withheld as security will not be worth much. The problem can basically be solved by a state fund of guarantees, which can assume a part (half) of the risk by the bank of commerce.

#### **Continued State Property Management Discouraged**

92CH0794A Budapest FIGYELO in Hungarian  
2 Jul 92 p 7

[Article by Istvan Tompe, former State Property Agency managing director: "We Had Faith in What We Believed; What Has Happened Is What We Have Experienced"]

[Text] *Last week parliament adopted laws pertaining to the state's entrepreneurial property. Our author, the first managing director of AVU [State Property Agency], today the chairman and president of the DAIWA-MKB Corporation, analyzes the various possible alternatives for temporary property management. In the end he concludes that the state, as a manager, should remove itself quickly from the competitive sphere even if it is forced to stay there as the owner.*

The concept of state property management is not new. A series of debates conducted in 1989 by a small group of people in the state administration is most closely related to the present situation; at that time, in addition to privatization, the fate of state property not yet privatized had also been discussed.

Why should we have believed that the state, that was unable to act with proprietary solicitude as a result of its depressing monopoly over ownership and management, would suddenly be able to do so in response to the beginning of privatization? We also established other hypotheses. One of these was to establish the primary purpose of privatization as exchanging the bad master for a good master, even if the latter was unable to pay right away. After several years of experience a tormenting decisionmaking and regulatory dilemma continues to prevail in a surprisingly broad segment of the competitive sphere. The question is whether changing owners without selling the property, alternatively, ownership change by virtue of selling property is more appropriate.

We had faith in what we believed, what has happened is what we have experienced. The fact is that the expression of interest by foreigners was not followed by an investment initiative of the same intensity. A lot of enterprises are for sale in the region, and to top it off, the large enterprises of neighboring countries, making less progress toward a market economy than we did, often became more desirable targets for investment, if for none other but the possibility to simultaneously acquire a given market share. Investors were frequently stunned by the high prices asked by Hungarians, and the threat of bankruptcy continues to deter many.

#### **Two Types**

Two forms of property management have evolved in the competitive sector. One is property management forced by delayed privatization, the other type pertains to the upgrading of enterprises slated to remain temporarily under state ownership prior to the initiation of privatization. At present the first type dominates the market, on a virtually exclusive basis. Cases which have "tired out" amid attempts to privatize are being transferred to another unit of the state for property management, nevertheless the goal continues to be an immediate sale.

Not too many upgrading and structural transformation programs have been discussed so far. On the other hand, in the course of lengthy waiting periods, one frequently notices that only the entrepreneurial part of a given state enterprise disappears, while the state property itself does not move. There is a great threat that enterprises subject to property management will live up their assets; this applies to the removal of both movable assets and business connections from enterprises.

In cases involving firms that cannot be sold for now, and mostly in corporate forms in which the state controls an overwhelming majority of the stock, the state experiences a suddenly increased responsibility for ongoing management, as compared to other forms of operations, such as places where enterprise councils manage the enterprises. The state does not like to make management decisions, but it is inclined to restrict in many ways the decisionmaking authority of existing enterprise management bodies. We cannot even say that the state has nothing to be afraid of. But management has even more to be afraid of. Due to the fact that privatization is both so near yet delayed, the much-needed internal enterprise structural transformation programs slow down. The new owner will want to see something different anyway, [so they say], and expense and personnel reductions often fail to materialize (let the new owner dismiss the people).

Many regard these events as an authorization to dismantle an enterprise, to let the enterprise deteriorate, and often as irresponsible action on part of management. Others, however, believe that enterprise managers continue to pull the oars despite their own uncertainty on a boat without direction, in which the captain's intentions are unknown. The truth is somewhere in the middle; we find that both of these situations exist.

### What Is the Difference?

One of the problems of the privatization decisionmaking system, and thus also of the management of the property of enterprises that have been transformed into corporations but have yet to be sold, is that these enterprises are supposed to be managed by an agency whose orientation and structure is not suited to continuously manage property on behalf of the state, [or to do anything] beyond consummating sales transactions. Based on tradition, and particularly from the standpoint of property management, nothing would be more natural than restoring the state's classic economic functions and organizations during the delayed phase of privatization, by asserting that the qualified experts to resolve the then emerging problems may be found among the members of the traditional professional staff. But if that were the case, what would be the difference between the early 1990's and the early 1970's? Initiatives to resolve this problem may come from the private sector, except that the private sector does not have enough money.

Forced property management is becoming a long-lasting mass phenomenon as a result of the mandatory transformation of enterprises [into stock corporations] and due to limited demand on part of foreign and Hungarian investors. Accordingly, one should be prepared to exchange the system of forced property management for other types of activities which are well suited to safeguard and to utilize in a businesslike manner the state's property, while improving the chances of privatization, or, for the relatively rapid liquidation of a given firm.

One obvious method to accomplish this is to sell enterprises which cannot be sold easily, or which cannot be sold at all in the foreseeable future, for a token price, or perhaps to give away such enterprises free of charge. This appears as a rational solution regarding enterprises in which the management would assume an extremely high risk by taking over the property, or by agreeing to play a role which the AVU is not capable of achieving otherwise. Maintaining employment, utilizing the assets may be advantageous, because the most likely alternative for these firms is liquidation. The possible free of charge transfer would only apply to the start of the transactions; the entrepreneur would be held responsible for the firm's outstanding debts, for providing a certain amount of work, and later, also for making investments.

### Leasing

The idea of leasing is gaining increasing popularity, as discussed in detail in FIGYELO No. 26., 1992, and it really seems as if it were a rational alternative to selling out at extremely low prices.

Its likely disadvantage, on the other hand, is that due to a lack of ownership, it would not be possible to use the assets of leased enterprises as collateral. Another disadvantage is that the AVU sets too high a starting price for leasing. Another possible consequence of lack of ownership is that no reduction or increase in capital, structural transformation, merger or breaking up could take place,

and entrepreneurs would see [the state's desire] to collect the leasing fee as the sole purpose of lease agreements.

### Competition

Let us assume that a given enterprise cannot (need not) be privatized directly and immediately, but an entrepreneur is willing to manage the property. The entrepreneur in question has no capital to speak of. But he could have a program to keep the firm alive and to upgrade the firm. If several entrepreneurs make such offers the competing programs should be compared.

Property management in this case would mean an endeavor to implement the agreed-upon program. Entrepreneurs could be more intensely motivated by letting them acquire, for example, 20 percent of the property (ownership share) free of charge in exchange for managing the property, and by offering to them an option to buy a controlling interest not exceeding 51 percent in the enterprise at a predetermined, fixed price. These conditions are essential, because in the wake of a successful upgrading effort the market value of the firm would [increase] correspondingly, and the greater success the entrepreneur achieved in the upgrading effort, the more difficult it would become for him to exercise his option to buy majority control in the enterprise. With predetermined stock prices such conflict would probably not occur.

Accordingly, the entrepreneur would play a dual role, insofar as he would act both as an owner and a property manager. If successful, the entrepreneur could freely decide whether to exercise his option to buy or sell, once the lease expired. But here, too, maximum freedom with respect to utilizing the property would contribute to the performance of the property manager's functions.

Installment payments are indeed the correct solution in the framework of enterprise leasing, because the owner immediately acquires property. This system has as its advantage that it requires a single decision by the state to accomplish ownership change. Quite naturally, in this system, too, installment payments would constitute expenditures.

Installment payments, on the other hand, also have some dangerous aspects. The state property agent could be expected to seek guarantees for payment, and these guarantees could prove to be expensive, perhaps unavailable (see: property management competitions, self-privatization model Phase II. [boxed item, omitted in this translation]).

Danger also lurks around a sensible transaction price, because in exchange for enabling the entrepreneur to make installment payments he could agree to an excessive starting price, and thus would be forced to "strip to the bare bones" the enterprise whose ownership he acquired.

Installment payments could probably be introduced only along with a high degree of self-restraint on part of the



state, a privatization environment friendly to the entrepreneur, and by enforcing certain conditions regarding property management.

Entering into management contracts should be made possible in cases involving certain medium-size and large enterprises which cannot be sold immediately. In such cases one should start out from the program to be implemented. The entrepreneur supposed to implement the program would be contracted by the AVU for a fixed fee, or the entrepreneur could receive a commission based on the extent to which he was able to implement the program, and an option to buy if the enterprise is sold later. Quite naturally, this concept could be applied not only during the period preceding privatization, but also with respect to firms remaining under long-term state ownership.

The above-listed, as well as other methods using a similar approach would help the state to remove itself quickly from the competitive sphere as master and

manager, even if it was forced to continue to own an enterprise. Transitional property management and privatization methods could be used on a widespread basis if the state consistently endeavors to achieve management advantages, in addition to realizing privatization revenues in the period preceding privatization. The master of an enterprise could be changed before actual ownership changes in several hundreds of enterprises in the competitive sector.

Today's active enterprise management would become the lead actor in privatization accompanied by property management. Members of this stratum must not, and cannot be avoided. Their experience and knowledge is useful not only within their respective organizations, but also in other enterprises. Incidentally, in the event that the concept of temporary property management becomes widespread, these people would find themselves in a competitive situation, because by having a property management program, people other than the enterprise managers could also participate in the process.

**Politicians on Chances for New Elections, Law**  
*92EP0544A Warsaw GLOB 24 in Polish 19-21 Jun 92*  
*p 2*

[Statements by Teresa Liszcz, Lech Falandysz, Jan Lopuszanski, Jozef Oleksy, Jan Maria Rokita, Barbara Rozycka, and Aleksander Bentkowski, compiled by Marek Kupis: "Sounding Out the Electoral Law"]

[Text] The Democratic Union [UD] submitted to the Sejm a new draft electoral law whose adoption is sought by all parties. According to UD's concept, the electoral law is of a mixed proportional and majority nature—115 deputies would be elected in single-seat districts, and the remaining 345 in multiseat districts, in proportion to the number of votes received in the entire country, with the 5-percent threshold used. How do individual groups imagine the shape of the future electoral law? As they see it, will the law contribute to the stabilization of politics? We approached several deputies of various political orientations and a representative of the Presidential Chancellery with such questions before the debate.

**Teresa Liszcz (Center Accord):**

In our opinion, the electoral law should be rational, or such as to prevent the repeated splintering of the parliament which, after all, we see now. Personally, I favor a mixed electoral law adapted to our times. In this instance, the problem of proportions is important, which perhaps is outlined well in the law on which we will work! However, my party is also considering a purely proportional version with a significant threshold and a relatively large central list. I am convinced that a revision of the electoral law along such lines will bring about stabilization, as it is hard for me to conceive of a more splintered and worse parliament than at present. Given an electoral law different from the one currently in effect, between five and seven parties would have made it to the parliament.

**Lech Falandysz (Minister of State in the Presidential Chancellery):**

To me, the electoral law is a mystery. However, I think that it should be either a pure majority electoral law, or a mixed one with a 5-percent threshold. A majority law gives a chance to strong parties only. Under a mixed law, the number of parties in the parliament will be somewhat greater. We should aim at five to eight parties making it to the Sejm. Compared to the present-day splintering, this would be a success. It appears that the president will support one of the versions which I have mentioned. He will come out against a proportional electoral law, because there is no reason for it to exist! As far as pronouncements about a new presidential election are concerned, those who say this would do better to consider the constitutional basis. We have a president elected by a popular vote, who, to be sure, may be recalled by the National Assembly (in special cases, for example, an illness—note by GLOB 24), but only by a two-thirds majority. I understand that the parliament

cannot operate because it is splintered. However, the president is neither splintered, nor does he need a majority of some kind in order to operate effectively. This is what he is actually doing!

**Jan Lopuszanski (Christian National Union):**

The electoral law should definitely be revised. Current rules in the law are not precise, which was the reason for many difficulties in the course of elections. It is also important to reduce the splintering of the Sejm. This is about setting in motion mechanisms which will reduce to a minimum the splintering of the largest groups in the Sejm. After all, that is precisely where the key is found to the effectiveness of government in Poland. The proposal which we are going to discuss meets expectations; however, at this point it is too early to say whether it will be adopted. Under our system, combining parliamentary and presidential elections would not make sense for the simple reason that a second round would certainly be needed in the presidential election. The political system in Poland has many sides to it. In addition to everything else, suggestions to call a presidential election are a symptom of a vision problem!!! If emotions are at work, such statements cannot be approached seriously. I am also resolutely opposed to moving up parliamentary elections. Somebody would have to convince me first that the elections will result in a better parliamentary arrangement. To my mind, they would result in a worse arrangement. After all, the result does not depend on the electoral law, but on the status of the consciousness of the electorate. The burdens of life are growing; authorities are falling—in various quarters at that; the people feel tired. All of this results in decisions becoming irrational. It does not further the quiet building of the Polish state.

**Jozef Oleksy (Alliance of the Democratic Left):**

Our times have become so complicated that the lack of an electoral law makes it impossible to proceed in the event of a surprise situation. The need to call an election may surface any day. Everybody agrees that the electoral law in effect is not good because it has caused the dismemberment of the parliament. The UD draft should be discussed, necessary amendments should be made, and it should be adopted as soon as possible! A threshold of at least 5 percent will ensure that those who do not reach it, do not enter the parliament! It is also important that party tickets do not dominate, and that people are also able to vote for specific individuals. Statements on the need for presidential elections were made at highly emotional moments. However, it is hard to conceal that the president personally has been greatly involved in the recent events. This cannot but affect his authority in the process of performing his functions. However, let us not prejudge this. Parties which have adopted such resolutions are engaged in their own political games. At present, everything is a political game! A presidential election together with a parliamentary election is possible, but then not soon. After all, we should be aware of the fact that political shifts do not bring about calmer

attitudes. The lack of an opportunity to secure consent for a common program is the heart of the matter. In a democracy, there is no way to break a decisionmaking impasse other than elections!

**Jan Maria Rokita (Parliamentary Club of the Democratic Union):**

This election law is close to the one which we, as members of the OKP [Citizens Parliamentary Club], proposed as early as 1990, and which was rejected on the suggestion of Deputy Niesiolowski. The electoral law will ensure the supremacy of large parties which have political personality. We must say, as brutally as we can, that the overall thrust of this electoral law is to eliminate small parties from the parliament. Most of the people in this Sejm have already had an experience so bad that perhaps it will be easier to get the electoral law adopted. However, the electoral law is a secondary factor in the process of stabilizing the political arena. Calculations for the last election, based on the guidelines of the proposed electoral law, with a threshold, indicate that the composition of the Sejm would not differ from that at present. The presidential election is a bad idea! The president is the only factor of stability in the state. That does not change my view of the presidency, which I consider bad. I expected this in 1990, when I did not vote for Lech Walesa. Therefore, Walesa should continue to be president. My current Walesism is a Walesism out of desperation!

**Barbara Rozycka (Confederation for an Independent Poland):**

If a government is created and the situation of the state stabilizes, we will be able to calmly work on the draft electoral law submitted by the UD. We would like to bring about this electoral law being clear and pure as far as the voters are concerned, so that there will not be as many problems during the election as there were during the last vote, when the State Electoral Commission had to make statements nonstop on what the author had in mind. After all, electoral laws are not poetry! The quality of the new electoral law, its legal precision, should be perfect. To this end, a stable government and calm are needed! If the situation does not stabilize and elections are needed—in this situation, the previous electoral law should be accepted with several amendments, for example, the introduction of the highest possible percentage threshold. Contrary to accusations, the Confederation is not betting on elections. Meanwhile, a Solidarity congress wants to have Walesa recalled! Let us be charitable to them, because these gentlemen, who were very sharp and principled, started to flee through the door having heard the hiss of steam from the pipes. We see no need for a presidential election, because this is the only institution which strives to embrace the matters of state in their entirety.

**Aleksander Bentkowski (Polish Peasant Party):**

We are in favor of an electoral law with a threshold of at least 5 percent because otherwise, as we can see at

present, small parties end up in the parliament, which have almost the same rights as parties having 60 members of parliament. The national list should also be abolished because it gives preference to certain individuals who enter the Sejm through the side door, taking advantage of the fact that at the other end of Poland, a given group got so many of the people's votes. The rest of the electoral law should not be changed. A majority electoral law should not be introduced because we would end up with a situation whereby the Senate is equally splintered.

**Pessimism Noted in Youth Views of Politics**

92EP0538B Warsaw RZECZPOSPOLITA in Polish  
24 June 92 p 3

[Article by R.W.: "Poland in the Eyes of the Young: Public Opinion Survey Center Poll"]

[Text] Barely two years ago the reigning belief among youth was that Poland was emerging from its difficulties. Now the prevalent belief is that the country is continuing to decline and no one is in control of the situation, according to a poll taken in April by the CBOS [Public Opinion Survey Center].

Assessing the events in Poland in the last three years, every fourth respondent declared that, while the new government is for the time being replacing the communists, the consequences are still unknown. Just as many respondents agreed with the claim that behind the new authorities the reins are held by the clergy and the Catholic Church, and every fifth respondent said that communism has been replaced by a new dictatorship under the banner of Solidarity, while every eighth respondent thought that the reins behind the new authorities are held by the same people who had been in power under communism. Only every 14th respondent agreed with the opinion that the communist dictatorship has been replaced by democracy. It is worth noting that of the five possibilities about which the respondents were queried, only one, the last-named, implied approval of the present situation.

The adversarial attitude toward the existing situation and the distancing from the Catholic Church were also reflected in the answers to the question, "In your opinion, who is really ruling Poland?" Few respondents named the parliament, the entire nation, the government, etc. Most often, the young people said that the country is being ruled by the Catholic Church, by the president, or by Solidarity. The question was open and the respondents had complete freedom in formulating their answers.

The activities of various institutions of public life were viewed more critically than two years ago. The highest rating was gained by the police (53 percent of positive appraisals, 16 percent more than in 1990) and the military. The least popular (18 percent) is the OPZZ

[National Trade Union Alliance, a postcommunist organization]. The greatest decline in popularity since 1990 was recorded for the activities of the Catholic Church: to 34 from 70 percent.

The opinions of the respondents on respect for civil rights and liberties, on freedom of belief and on governance were close to those recorded in the years 1988-89 (that is, while the country was still "under the commune"). Since 1990, when optimism had reached its peak, the assessments have been gradually declining. In 1992, 44 percent of the queried young people declared that our country has a democratic government, 50 percent thought that there was religious tolerance, and 53 percent that civil rights and liberties were safeguarded and respected, while 22 percent thought that citizens had influence on the government.

The young respondents did not agree with the opinion that everyone has an equal opportunity for success in life regardless of social origin (64 percent) and material situation (78 percent).

NOTE: The CBOS poll was taken between 9 and 28 April 1992 on a random 1,289-person sample of secondary and basic vocational school seniors.

**POLITYKA Weekly News Roundup: 14-20 Jun 92**

92EP0528A Warsaw *POLITYKA* in Polish No 25,  
20 Jun 92 p 2

[Short items from the columns "In the Country" and "Opinions"]

[Excerpts] [Passage omitted]

The Second Congress of the Center Accord announced the creation of "a broad front of resistance to recommunization" in the parliament and outside of it. Jaroslaw Kaczynski, who was elected, as the only candidate, to the position of chairman by a majority of 488 votes out of 500 (with those assembled singing "*Sto Lat*" ["May he live to be 100"]), stated: "We are prepared to talk about Poland, but without agents in the authorities." This readiness to negotiate is supposed to facilitate "the elimination of dangers posed by the rule of Wachowskis and Pawlaks." The congress expelled from the party the members of the "Christian-Democratic" faction (453 votes, with 2 against and 20 abstentions). The dissidents created a separate parliamentary club which is headed by former Prime Minister J. Olszewski.

The founding congress of the Christian Democratic Forum was held in Warsaw. Former Prime Minister J. Olszewski became the honorable chairman of the forum. The group, which was organized by the leaders of the Christian Democratic faction of the Center Accord, greeted Olszewski with a standing ovation and sang "*Sto Lat*" for him, and also sung for A. Macierewicz. The former head of the Ministry of Internal Affairs said with

tears in his eyes: "I hope that all of Poland will hear this." (as reported in *GAZETA WYBORCZA*). [passage omitted]

Asked about the possibility of exposing potential UB [Security Administration] and SB [Security Service] agents among the clergy, Primate Jozef Glemp said: "If there were a review of all who have perpetrated injustices, and if a member of the clergy also committed an injustice, we could not make an exception." The primate spoke to this issue yet again before the microphones of Radio Vatican: "I stress that the problem is not about catching those guilty and denouncing them. Instead, I would like to see this great process within such an arrangement and on such a plane as to promote national reconciliation." Further on: "I do not consider it appropriate to hold people accountable for cooperating with the UB if the UB personnel themselves are not held accountable. The people who arrested Cardinal S. Wyszynski, and who tortured Bishop Baraniak and other members of the clergy, are certainly alive. We may conclude that they live in peace and prosperity! That situation leads to tension consciously (or perhaps subconsciously), and raises the issue of how genuine and credible the changes have been. Hence, the topic will keep coming back." [passage omitted]

The average gross wage in May came to 2,704,000 zlotys, and was 4.5 percent lower than in April. In May, there were 2,229,000 unemployed, or 55 percent more than in May 1991.

Gas and electricity rates for private consumers will increase by 5 percent effective 1 July. Prices for Polonez cars are going up: The cheapest, with a displacement of 1.5 liters, will cost 78 million zlotys, or 2.5 million zlotys more.

The Board of the Publishing and Commercial House VEGA SA announced an open tender to sell the daily *GLOB 24*. [passage omitted]

**Leszek Moczulski, Chairman of the Confederation for an Independent Poland:**

"How would you like to secure the eastern border of Poland?"

"The summer is going on happily. Exercises may be held everywhere: in Lublin forests and on the western side of the Bug. At issue is the opportunity to undertake interventionist actions, at the very least to the Dnieper or Don in the east."

"What about the west?"

"The Elbe, Rhine...something of that nature. To the Danube in the south. In the north, to the coast of Sweden. A threatening situation may develop in those areas. Defense may require interventionist actions. (In an interview with Piotr Strzalkowski, *EXPRESS WIECZORN*, 2 June). [passage omitted]

**POLITYKA Weekly News Roundup: 21-27 Jun 92**

92EP0542A Warsaw POLITYKA in Polish No 26,  
27 Jun 92 p 2

[Short items from the columns "In the Country" and "Opinions"]

[Excerpts] [Passage omitted]

From a statement by the editorial office of ARKA and a group of intellectuals: "A political coup, accomplished with a view to defending the agents of communist 'special services,' was confirmed in the Sejm on the night of 4-5 June. The government of Jan Olszewski, which had the courage to begin the politically necessary and morally justified uncovering of the past, as agents, of individuals responsible for leading the Polish state, fell victim to the coup (...)." Among others, Zbigniew Herbert, Jakub Karpinski, Marek Nowakowski, Prof. Jan Prokop, Jaroslaw M. Rymkiewicz, Tadeusz Szyma, and Prof. Jacek Trznadel signed the statement. [passage omitted]

"Lighter." As spokesman for the president A. Drzy-cimski announced, an SB [Security Service] agent under this cover name "has been active for many years in Polish and emigre political life, and played a very important role in it, being an agent of a foreign intelligence service." In the Sejm, they have begun to associate the cover name "Lighter" with the person of Zdzislaw Najder, adviser to Prime Minister J. Olszewski. Radio Free Europe has interviewed Najder over the telephone, asking him, among other things, about the similarity between his departure for a foreign trip with information that "Lighter" left Poland on Thursday night. Najder explained that he left on Tuesday for his villa in Burgundy "to take care of personal business and write a preface to *Lord Jim*." GAZETA WYBORCZA took yet another interview with Najder: He stated that he has never been an agent of a foreign intelligence service, and that he would return to the country within a couple of days (GAZETA WYBORCZA, 17-18 June). Asked about the goal of his conversation with SB agents 34 years ago, he said, among other things: "I wanted to find out what they knew and warn the people. I declared that I would not provide any information about my friends."

The NOWY SWIAT daily, which appealed to readers and sympathizers for financial support when the periodical faced a time of trouble, has published a calculation: Some 881 individuals have donated funds coming to a total of 697 million zlotys, of which "an anonymous group of donors" has sent almost 500 million. After former editor in chief Piotr Wierzbicki quit the editorial office, 10 people resolved to pick up their money in person; in addition, 26 people demanded returns by mail. More than 14 million zlotys have been returned.

From CBOS [Public Opinion Research Center] surveys (early May): What will the result of participation by foreign companies in the management of our enterprises

be for the Polish economy? Most of those polled, 37 percent, believe that it will be bad rather than good; 28 percent believe that it will be as good as it is bad; 17 percent that it will be good rather than bad. Eighteen percent do not have an opinion. A question was asked about the sale of shares of privatized Polish enterprises to foreign nationals: Eight to 11 percent came out against selling to the Americans, French, British, and Japanese, 18 percent against sales to the Germans, 30 percent against sales to the Jews, and 36 percent against sales to the Russians.

Americans (CPC International) have purchased 80 percent of the stock of the Poznan company Amino, the second largest food concentrates plant after Winiary. The work force will buy the rest (one share costs 34 million). The Americans will pay \$8.8 million, and will invest \$17 million in the plant over five years.

A referendum to recall the City Council in Zamosc ended in a fiasco. A mere 14.22 percent of 42,000 people who have a vote took part. At a minimum, 30 percent of those who have a vote should have voted for the results to be binding. [passage omitted]

**Father Jozef Tischner:**

"Personally, I am particularly gratified by one thing. Do you remember the way it used to be? When the Communist Party wanted to cleanse itself of various accusations it indicated that it was not to blame, but rather the security administration which had 'escaped' its control. Did that proven pattern also occur to the proponents of decommunization? Once again, only the 'circles' of the administration in question are to blame. The difference is that they are not the ones who read reports but those who reported."

"I am profoundly grateful for a contribution to my favorite theory of 'Sovietization' of our political imagination." (GAZETA WYBORCZA, 17-18 June)

**Tadeusz Stanski and Romuald Szeremietiew, in a Letter to the Members of the Confederation for an Independent Poland [KPN]:**

"We, the founders of the confederation, who have led it and have spent several years in prison for such activities, are writing to you. We have left the KPN because, in addition to other considerations, we did not agree to the confederation becoming the private property of the Moczulski family, a blind instrument in the hands of the 'leader.' We were silent for many years, believing that squabbles and arguments within the independence-minded camp should be avoided. However, the behavior of the KPN Parliamentary Club, in the course of voting on the proposal to depose Prime Minister Jan Olszewski, forces us to speak up."

"We declare that the KPN Parliamentary Club acted despicably, succumbing to the will of Mr. Leszek Moczulski. It became an ally of the Communists and the supporters of the 'thick black line' [Mazowiecki policy of

not pursuing revenge against Communists]. (...) It turned out that the proindependence program, because of which those deputies ended up in the Sejm, was hollow rhetoric and electoral deception.

"We are convinced that Mr. Leszek Moczulski and his collaborators do not deserve to be called independent-minded (...)

"Members of the KPN should draw conclusions from the KPN leadership's position. They should leave the KPN or change the leadership of the confederation." (CZAS KRAKOWSKI, 17-18 June). [passage omitted]

**POLITYKA Weekly News Roundup: 28 Jun-4 Jul 92**  
92EP0542B Warsaw *POLITYKA* in Polish No 27,  
4 Jul 92 p 2

[Short items from the columns "In the Country" and "Opinions"]

[Excerpts] Chairman of the National Bank of Poland Hanna Gronkiewicz-Waltz officially announced the redenomination of the zloty and the exchange of the tender used to date. The exact timing of the measure will be announced within three months. "We will simply cut three or four zeroes off the numbers. Nobody will lose in the course of the exchange, not even those who keep money 'under the mattress.' Old bills will continue to circulate for a period of time, along with new ones." There will be eight new denominations; the 200 zloty bill will be the highest. Views of Polish cities will appear on the bills instead of portraits. [passage omitted]

The National Commission of the NSZZ Solidarity held the second part of its congress in Lodz. For the most part, trade union affairs were considered. A resolution was adopted according to which the social teachings of the Catholic Church were recognized as the theoretical basis for the strategy and tactics of Solidarity. Two new deputy chairmen, Jan Halas (the Gdansk region) and Janusz Palubicki (the Great Poland region), were elected. Marian Krzaklewski was elected chairman a week earlier in Gdansk.

Still more participants in the events faced the extraordinary commission of the Sejm which is examining the implementation of the so-called lustration law. Mieczyslaw Wachowski and Andrzej Drzycimski, secretaries of state in the Presidential Chancellery, denied that A. Macierewicz was blackmailed in the Belweder [president's residence]. Father Franciszek Cybula, the president's chaplain, also denied that. A. Macierewicz showed up for the commission hearing but refused to testify: "I will not be able to give to the commission any information or names that constitute state secrets until the commission finds the source and individual who removed and gave to a TRYBUNA journalist a complete stenographic record of testimony by Piotr Naimski, the former chief of the UOP [Office of State Protection]." The commission imposed a fine of one million zlotys on

the former Deputy Minister of Defense R. Szeremietiew for failing to report for a hearing yet again. At a meeting in Wroclaw, Szeremietiew said that hearings before the commission are similar to the old interrogations by the SB [Security Service].

Bad Inclinations. K. Krol (Confederation for an Independent Poland) accused A. Macierewicz of "preparing a list of members of parliament and other politicians who, in the opinion of the secret services of the Ministry of Internal Affairs, belong to the so-called sexual minority." "I was aware of many dirty tricks to which the SB resorted, but I did not expect someone to draw on the dark past now." In turn, A. Macierewicz rejected the accusation: "Information which is being spread by K. Krol, to the effect that I compiled some kind of list of people associated with homosexuals, is a lie. One may only wonder why Mr. Krol resolved to focus on this topic." [passage omitted]

In the second 10-day period of June, prices for foodstuffs were lower by 1.4 percent overall than in the first 10-day period, including prices for fruit and processed fruit, which were 1.6 percent lower. However, prices for bread and flour increased (by 2.1 percent).

GAZETA BANKOWA (21-27 June) carries a super-ranking of Polish Banks. The Bank of Commerce SA in Warsaw ranks first; the Silesian Bank SA ranks second, and the General Credit Bank SA ranks third. The authors of the ranking rated 137 Polish banks on the basis of the size of proprietary capital (the Bank of Commerce—3.8 trillion zlotys).

Difficulties with the supply of fuel in southern Poland have led to a decision to reduce the turnover tax.

TRYBUNA is threatened with a trial for violating regulations on the protection of state secrets. Excerpts from a stenographic record of the proceedings of the Sejm commission examining verification procedures were published in two issues of the newspaper. An extract from the testimony of Piotr Woyciechowski, chief of the research department of the Ministry of Internal Affairs (this section leafed through the files of SB collaborators): "I am 26 years old. Let us say I am an astronomer by education. I am in my fifth year. I am finishing my studies at precisely this moment..." The section in question was set up on the order of Minister Macierewicz toward the end of February of this year. In 1990, Woyciechowski tried to obtain employment with the UOP [Office of State Protection], but he was turned down. One of the deputy members of the commissions remarked to P. Woyciechowski, who was testifying: "Perhaps nobody has told you this yet, but I think, all of us here think, that chewing gum while testifying before the parliament is as inappropriate as can be. It would be good of you to leave and return without this chewing gum." [passage omitted]



**Andrzej Celinski, Senator:**

"I brought to Plock between \$25 million and \$30 million, I may say 'with these very hands.' This is not a lot. However, if each of 100 senators brought \$20 million—on the average, because I am kind of an average senator—it would be \$2 billion. (...) Let Mr. Bender from the ZChN [Christian National Association] run to get the money rather than engage in disciplinary proceedings against me for offending someone. (...) You know, I stay in the Senate at meetings for more or less 20 minutes. I come there to be polite, to show myself, and then I leave because I get mad (...) So, I sometimes envy some of the senators, when I see how well rested they are, how they talk for hours on end, how they are not in a hurry to get anywhere, and how they do not even look through papers, going instead to receptions and those parliamentary excursions." (In an interview to Barbara Matoga, *DZIENNIK POLSKI*, 3 June).

**Tadeusz Konwicki, Writer:**

"In 1968, the intellectual elite were in a position to go against the militia nightsticks to defend *"Dziady"* [Forefathers Eve, a play by 19th-century epic poet Adam Mickiewicz, with strong anti-Russian overtones], produced by the National Theater. More than 20 years later, my *"Lawa"* [Bench], based on the same *"Dziady"* by Mickiewicz, played to virtually empty cinemas. I do not know whether anyone would want to pay money for a movie by Konwicki. Ours will become provincial cinematography, returning to the models of the interwar period: *"Is Lucyna a Girl?"*, *"Robert and Bertrand"*, *"With Ada You Better Not."* We should reconcile ourselves to the fact that actors will not be anybody's darlings anymore; nor will they legitimize any power. Many actors have difficulty handling this; they are frustrated, and they miss the days of glory." (From a statement to *KURIER ZACHODNI*, 5-11 June)

**Andrzej Kolodziej, Former Solidarity Activist and Founder of "Fighting Solidarity":**

"Destroying the myth of Walesa may lead to an unpredictable demise of all state-building concepts.

"I believe that this is erroneous reasoning. Poland needs not only decommunization, but also de-Walesization. Members of the existing political elite, appointed by Walesa, use their own positions only in order to set themselves up well. They take positions over from one another while pursuing the same policy. Only recently did Jan Olszewski begin to talk about this and counteract these games. This is why he is not accepted by Walesa to such a degree.

"Preserving a myth in the name of falsely interpreted good is great nonsense. We have been through that under the Commies. Apparent unity for the good of a certain idea—what does it mean? In Solidarity, the myth of Walesa had to exist for the good of unity. Is this myth to

work for the good of the state now?" (In an interview to Zbigniew Cieslinski, *DZIENNIK POZNANSKI*, 19-21 June)

**Marek Kurzyniec, an Anarchist From Krakow:**

"At a time when I was still active in the Movement for Freedom and Peace, some people leaned toward the thesis that the army should be volunteer or professional, and have an apolitical nature by design. This theory is absurd. There is no army in the world that is politically neutral. It is always an object of some games. This is shown best by the recent months in our country. Along with the police, the army is the only bastion which has appropriate means due to which authorities that are not accepted may feel safe." (*GAZETA KRAKOWSKA*, 19 June)

**Aleksander Hall, Democratic Union-FPD [Forum of the Democratic Right] Deputy:**

"Poland cannot afford a new war between the government and the president which is as disgraceful as the one which we recently witnessed. However, it is important for this person to not just carry out the will of the president. The prime minister should be a loyal, but also demanding partner of the president. I would like to add that I will always help to implement the idea of uniting Solidarity forces (regardless of which politician implements this concept as prime minister). It is just that I know that this is the only solution." (In an interview to Ewa Lukasiewicz, *DZIENNIK LODZKI*, 24 June).

**POLITYKA Weekly News Roundup: 5-11 Jul 92**

92EP0542A Warsaw *POLITYKA* in Polish No 28, 11 Jul 92 p 2

[Short items from the columns "In the Country" and "Opinions"]

[Excerpts] [Passage omitted]

The Sejm passed a draft law on the ratification of the treaty of association between Poland and the EC. Two hundred and thirty-eight deputies voted in favor, 78 voted against, and 20 abstained.

At the suggestion of Deputy Jan Rulewski, the Sejm resolved to not discuss draft laws associated with abortion during its current session. The Secretariat of the Episcopate of Poland expressed its "profound concern" over the issue. A communique released to the press stated: "It is easy to understand the overall political situation in the country and the difficult conditions for the operation of the Sejm while a new government is being formed. However, we must state that a debate concerning legal protection of human life may not become the subject of political manipulation yet again." [passage omitted]

The Sopot Research Workshop asked 1,000 adult Poles (at the request of RZECZPOSPOLITA): "For whom would you vote?" Some 18.1 percent would choose the



UD [Democratic Union]; 12.1 percent the KPN [Confederation for an Independent Poland]; 8.1 percent the SLD [Alliance of the Democratic Left]; 7.9 percent the Polish Peasant Party; 7.1 percent the NSZZ Solidarity; 5.6 percent the PC [Center Accord]; and 5 percent the KLD [Liberal-Democratic Congress]. Other parties would receive less than 5 percent of the votes. A survey taken on 20-21 June suggests that the voter turnout could be under 30 percent.

Primate Jozef Glemp received Antoni Macierewicz, the deputy chairman of the ZChN [Christian National Association] and the former minister of internal affairs. The communique on the visit reads: "The current situation in the country was discussed, with the need to preserve the principles of truth and justice in public life being indicated." A. Macierewicz told RZECZPOSPOLITA: "I felt that it is incumbent upon me to express my gratitude to the primate for his statements, and the communique of the Episcopate, which has taken up this most significant problem associated with verification activities, which is now facing Poland."

Effective 1 August, the minimal wage will come to 1.2 million zlotys.

The rate of refinancing credit was reduced from 40 to 38 percent per year. This will cause the interest rates on credit and investments to fall.

Krzysztof Czabanski was dismissed from the position of the chairman of the Polish Press Agency by Prime Minister W. Pawlak. Chief of the foreign editorial office Michal Czarnecki temporarily took over his responsibilities. As the chief of the Press Bureau of the government stated, "the way in which Czabanski wanted to transform the agency" became the reason for his dismissal. "He demanded government money, but did not want to recognize the fact that he who pays has requirements."

In the press market: The GLOB 24 daily is no longer being published. It will be transformed instead into a "weekend newspaper" published once a week. ZYCIE WARSZAWY is being published in a new format and with new graphics. (Editor in chief K. Woycicki promises "a modern daily, more readable than the old newspaper, but at the same time consciously building on tradition.") The first, double issue of the monthly MEDYCINA I TY, a color magazine, has been published; its price is 15,000 zlotys. The chairman of the Joint Stock Company Ruch, which distributes the press, has changed. Instead of Jacek Debski, Wlodzimierz Slowinski was appointed; he previously worked as a journalist for GAZETA WYBORCZA and RZECZPOSPOLITA, and subsequently was the founder and editor in chief of TYGODNIK CENTRUM (a periodical of the Center Accord). The new chairman stated that his political views "will not influence the management of the company in any way." [passage omitted]

#### Jan Rokita, Deputy of the Democratic Union:

"The president has lost this ability (playing the role of the supreme arbiter) long ago, to my mind, as a result of discharging the presidency very poorly. However, Lech Walesa is a president elected by a popular vote for five years; given the split parliament, a profound crisis of the confidence of society in the authorities, and a crisis of belief in the reforms, this same Lech Walesa is currently the only factor of stabilization in the Polish state. Western politicians, to whom I talk, always stress that they will not lose faith in procapitalist reforms in Poland for as long as Lech Walesa is president. I admit that under the current conditions, I am a Walesist, but out of desperation rather than by conviction."

(In an interview by Adam Szostkiewicz, TYGODNIK POWSZECHNY, 5 July 1992)

#### Grzegorz Polak, Essayist:

"For some time now, especially after the shameful row in Laski [town that refused to allow a shelter for children with AIDS], in the vicinity of Warsaw, increasingly harsh accusations have been leveled against the Catholic Church, to the effect that it fails to take a stand and does little for AIDS sufferers. The voices are indicative of the tremendous expectations of our society regarding that institution rather than hostility. Their source is in the conviction that the Church should come to the defense of the people rejected by society, and in the belief that it may effectively alleviate social conflicts by using its authority. The defenders of children infected with the HIV virus would have certainly been satisfied had a priest or, better yet, a bishop talked to the restless residents of Laski. A precedent was already set two years ago, when Bishop Alojzy Orszulik, at the time the suffragan of Podlasie, mediated a conflict on account of a MONAR [Young People's Movement to Combat Drug Addiction] center in Gloskow, Podlasie, having invested his entire authority, and calmed down the protesters."

(GAZETA WYBORCZA, 4-5 July 1992) [passage omitted]

#### Prof. Aleksander Krawczuk:

"(...) What period in the history of Poland would you, professor, liken our current situation to?

"It is a sad comparison because the end of the 18th century occurs to me. Few people are aware, or perhaps they do not want to be aware, that at that time, we lost our state as a result of our shortcomings—want of a government, anarchy, and pursuit of personal interests. We saddle our neighbors with blame, but they merely took advantage of an opportunity. The demise of Poland is one of the very few examples, perhaps even the only one in the history of modern Europe, of a state, with one of the largest territories at the time, perishing due to its own weakness. They might say that the situation is different now. Our neighbors are concerned with their own affairs. Nobody has territorial claims against us. Is it

truly so? Besides, we have an economy struggling to survive, political squabbles, pursuit of private interests, and the scratching of old wounds, at a time that we need what the ancients invented—an amnesty. That notion was introduced by the Athenians in 403 B.C., and the Romans followed their example. Amnesties were granted after long and bloody civil wars in which thousands of people died. An amnesty means that we forget about what has happened, what has divided us. Unfortunately, we have not grown up to that yet.”

(In an interview by Malgorzata Szniak, SZTANDAR MLODYCH, 30 June 1992)

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### **Causes of Trade Barriers With Russia Discussed**

92EP0545B Warsaw POLSKA ZBROJNA in Polish  
21 May 93 p 3

[Article by Zdzislaw Lasota: “Good-Neighbor Business: Polish-Russian Economic Cooperation”]

[Text] Estimated, that is, incomplete figures on trade between Poland and the countries of the Commonwealth of Independent States [CIS], show that Russia decidedly ranks first among them. Of the nearly \$2.9 billion in that trade last year, the Russian Federation accounted for more than \$2.7 billion, but that does not mean that there are no problems complicating the growth of trade.

When asked about the expectations associated with the visit of the President of the Republic of Poland Lech Walesa to Russia, a high official at the Ministry of Foreign Economic Cooperation drew attention to the need to create a suitable political climate to break down the psychological barriers existing on the Russian side. “Otherwise it will be difficult to surmount the existing obstacles, let alone rapidly exploit the natural possibilities for good-neighbor cooperation,” stressed Leslaw Podkanski, the deputy department director at that ministry who is responsible for such trade.

### **Psychological Barriers**

The psychological, and perhaps also political, barriers existing on our neighbor's side are perceived by the Russians themselves as well. “I'm not satisfied by the manner in which Moscow reacts to our questions. Many matters somehow get pigeonholed there for good. Unfortunately, not everyone in Moscow understands that we can gain greater advantages in Poland than in Canada, Japan, Germany, or the United States. They do not know that Poland is a totally different country, that it is capable of providing us with several million metric tons of grain, that it can almost entirely meet our demand for medicines and become one of our main food suppliers,” said Yuriy Kashlev, the Russian ambassador in Warsaw, in a recent GAZETA WYBORCZA interview.

We could sell to Russia more of the goods it needs. The fact that we do not is all the more surprising considering that our trade is far from balanced, to Poland's disadvantage. Last year we shipped to that market nearly \$875 million in goods, but imported from it more than \$1.8 million. Our main export items are products of the electrical machinery, chemical, and food industries, and also coal and coke. We could be selling more of nearly everything.

Our principal imports from Russia are energy resources—crude oil and, above all, natural gas. For this year the agreements provide for importing to Poland about 6.9 billion cubic meters of natural gas (100 percent of our imports) and 7 to 8 million metric tons of crude oil (about two-thirds of Polish purchases). We also import industrial products, but fuels and energy accounts for 70 percent of our Russian imports. This year we shall pay for this nearly \$1.6 billion.

### **Financial and Bureaucratic Barriers**

In addition to the above-mentioned psychological barriers, there are others that are no less important. Let us call them financial and organizational. It can be said that their importance is directly proportional to the advancement of the institutional changes underway in both countries, as well as to the depth of their economic crises.

One barrier is the aforementioned absence of a balanced trade, too extensive for the Polish side to ignore it. The Russians are not eager to spend in our country the hard currency we pay them for their oil and gas. That is not made any easier by our indebtedness to Russia, whose solution is complicated by the absence of suitable currency conversion rates. According to tentative data, Poland owes Russia 4.9 billion transfer rubles and \$1.8 billion. In its turn, Russia owes us 7.3 billion transfer rubles and about \$300 million. The transfer ruble is “paper money.” The problem is how to determine its worth.

Polish experts on cooperation with Russia point out that the trade barriers are due to the fact that there is more red tape in Russia than in our country. Our neighbor still does his decisionmaking in a highly centralized manner. It is bound by import quotas and many prohibitions. This clashes with the liberalization of Polish foreign trade. The matters have gone so far that, in addition to our natural concern for the quality of the goods we export, it is we who have to take the initiative in spurring imports from Russia. On the Russian market we look for goods that can be imported and sold on our market, or even better, on the markets of third countries.

That does not mean that there are no obstacles on the Polish side itself. Such obstacles include incomplete information about the goods crossing our borders, as well as incomplete coordination among the various agencies engaging in cooperation with our eastern neighbor.

### Something Is Changing

This year the situation is not the same as a year or two ago. Something is continually changing. For example, to improve the balance of trade, we proposed that Russia spend on Polish goods at least part of the hard currencies earned from us. It was agreed that this year 40 percent of those earnings will be used to finance imports from Poland. The remaining 60 percent can be, but does not have to be, spent by Russians on buying Polish goods.

In foreign trade there is no room for sentiment. What counts is the country's strategic interests and financial advantages. Trade with Russia is favored by proximity, by the mutually complementary nature of Polish and Russian markets, and by familiarity with each other's needs. In this case, an important factor is and should be awareness that economic relations facilitate the growth and preservation of a good political climate between a big power that is building democracy and a middle-sized country that has regained its sovereignty; between neighbors who intend to continue participating in building a new world, or at least Europe.

It so happens that Russia is importing, among other things, food, medicines, durable consumer goods, and even coal. Poland can offer some of the commodities; that would be advantageous, as the cost of transportation also is a factor. The value of our offer is also enhanced by our intention to continue buying Russian goods.

We could have been buying more crude oil from other countries, for example. But our existing infrastructure is such that the cost of transporting crude oil from Russia is lower. That applies even more so to natural gas. The Russians are aware of that. Perhaps that accounts for our continued uncertainty as to whether the agreed-upon quantities of natural gas to be shipped to us will be actually delivered.

But presumably well-understood good-neighbor business considerations will prevail, which makes for a stronger bond than the morally and legally outlived "CEMA weld."

### Ineffectiveness of Merchant Fleet Viewed

92EP0540B Warsaw GAZETA WYBORCZA in Polish  
29 Jun 92 p 5

[Article by Robert Jakubowski: "Whither the Polish Merchant Fleet?"]

[Text] The Polish merchant fleet is obsolete and the shipping companies are inefficient, according to a report of the NIK [Supreme Chamber of Control] on the financial condition of Polish shipowners. Although shipping volume has not decreased in recent years (27-28 million metric tons annually) the gross profits of shipowners shrank from 1,239 billion zlotys [Z] in 1989 to Z567 billion in 1990. In 1991 shipping companies lost Z297 billion.

The Polish merchant fleet consists of 221 vessels with an aggregate tonnage of 3,849,000 metric tons. The principal shipowners are the Polish Ocean Lines (PLO), Polish Maritime Shipping (PZM), and Polish Baltic Shipping (PZB).

The PLO specializes in carrying general cargo on regular routes. The PZM handles bulk cargo (ore, coal). Its ships visit various ports depending on the orders. As for the PZB, it operates Baltic ferries and, in addition, several small ships belonging to it engage in coastal navigation in the Baltic and the North Sea.

In the opinion of NIK auditors, the following factors contributed to the crisis of the Polish merchant fleet:

- The rapid rise in domestic prices combined with a stable rate of exchange of the dollar has increased the operating costs of shipowners. They could not offset them by raising the prices of their services, because prices are determined by the international shipping market.
  - The high cost of credit makes it difficult for shipowners to modernize the obsolete fleet.
  - The absence of consent by the Ministry of Finance to government aid for shipping, proposed by the Ministry of Transportation (among other things, low-cost credit) has caused our shipowners to be less competitive vis a vis shipping lines from the EC and other countries, where government aid is a common practice.
- In effect, last year the receipts of the state budget from the operations of the national merchant fleet dropped by nearly half—from Z301 billion in 1990 to Z167 billion in 1991.
- Ship owners are inconsistent (especially the PLO and the PZB) in introducing programs for the repair and restructuring of the shipping enterprises.

### The PZM Manages Best

To obtain cheaper foreign credit the shipowners (chiefly the PZM), began to reregister their ships under "cheap flags" (so-called reflagging). As a result they were able to mortgage their ships to foreign creditors at only one-sixth the cost of interest. Moreover, after reflagging, the shipowners no longer had to pay the income tax on their operations.

Since the Polish labor law does not apply to the reflagged ships, the shipowners were able to reduce the size of their crews. For example, on the PZM ships floating under the Marshall Islands flag, the crew per ship are 20-21 instead of 24-28.

### The PLO Grounded on the Sandbar

The worst off, in the opinion of the NIK auditors, is the Polish Ocean Lines (PLO), which in 1991 lost Z569

billion. Eighty percent of that company's ships are from six to 26 years old, and 53 percent more than 15 years old.

The program for structural changes developed at the PLO in mid-1990 indicates that the company's financial situation is critical (it may be at the threshold of bankruptcy). The sole way out of the situation is, in the opinion of the program's authors, a rapid capital-based privatization of the PLO. But that idea is meeting with serious obstacles within the company.

As for the PZB, which operates a fleet of obsolete ferries 12 to 25 years old, it has done nothing to improve its situation. The authors of the NIK report stress that, although the PZB had a profitable 1991, the age of the fleet it operates threatens eliminating the company from the market of ferry operations in the Baltic.

#### **Contracts That Are Not Always Advantageous**

To improve their balance of payments, the shipping companies have been selling ships on terms that were not always advantageous. They also got rid of some profitably operating vessels. The companies also concluded disadvantageous contracts.

The PZM has not always been repairing ships in the shipyards offering the best conditions. All the shipping companies have made insufficient attempts to eliminate disadvantageous clauses from their repair contracts.

It was only after the NIK audit that the PZM asked foreign shipyards to reimburse it for a 400 million-zloty overpayment for the repair of two ships. Previously, its technical services accepted exorbitant invoices without objecting. The Voivodship Prosecutor's Office in Szczecin is conducting an investigation into the matter.

#### **Special Group Formed To Change Energy Sector**

92EP0545C Warsaw GAZETA PRZEMYSŁOWA I HANDLOWA in Polish No 20, 17-24 May 92 p 2

[Article by ml: "Restructuring the Energy Sector"]

[Text] The continuing institutional changes in the Polish economy also extend to enterprises of the energy and fuel sector.

The fact that Poland depends 100 percent on the countries of the former USSR for imports of natural gas and more than 50 percent for imports of crude oil, shipments that were curtailed in 1992, is causing major difficulties and cuts in industrial output. In this situation steps have to be taken to liberalize prices, curtail subsidies, foster competition, etc.

The special Task Force of Experts for Restructuring (ERG) has been formed with the object of, among other things, monitoring the efficiency with which foreign aid is being utilized, and assuring close cooperation with enterprises of the energy sector in order to introduce a

restructuring program. That task force includes domestic and foreign experts in various fields.

The fundamental premises and objectives of the restructuring program are: —To assure an efficient and steady energy supply.

—To efficiently utilize energy carriers, mainly by applying an effective price mechanism.

—To create autonomous and flexible enterprises that are operating on market principles, are freed from direct government control, and, whenever possible, are no longer state-owned.

—To make allowances for environmental factors and other social costs of energy production, distribution, and utilization.

Here, however, it should be stressed that price adjustments can be possible only if new accounting rules and, subsequently, a new system of regulations are introduced. That will require that enterprises engaging in the production, transmission, and distribution of such fuels take appropriate measures, have justified operating costs, and a normal profit margin. And all of that is possible only if there is no monopoly on the market.

The rules for security of the energy supply followed by various Western European countries presuppose that shipments of fuel and energy should derive from various mutually independent sources. We do not meet that condition.

The expected integration of the national power grid after 1993 with the power grids of Western Europe, as part of the agreement with the Union Continuing the Generation and Transmission of Electricity (in Western Europe) (UCPTE), should enhance the security of our domestic electricity supply.

#### **Below-Average Strawberry Harvest Due to Drought**

92EP0539B Warsaw RZECZPOSPOLITA in Polish 26 Jun 92 p 1

[Article by Edmund Szot: "Poor Strawberry Harvest: Crop Forecasts Mistaken"]

[Text] Unlike the flinty-hearted banks, the Good Lord took pity on the fruit and vegetable processing plants and at the last moment sent a drought that reduced the growth of strawberries so much that their harvest will be about 30 percent smaller than forecast. As a result, processors who buy up strawberries but don't pay for them will be owing less money to suppliers.

Zdzislaw Blokus, the director of the Hortex Processing Plant in Gora Kalwaria, believes that the price paid by his plant for strawberries and the quantity bought are not the public's business. Disclosing the information would merely harm the company's interests, in his opinion. For more information he refers inquirers to the enterprise's

director, Michal Krawczynski, but the latter also does not feel authorized to provide explanations and refers inquirers to the company's governing board in Warsaw.

On the other hand, Edward Gulecinski, a farmer from Zyrow, who under the sultry sun harvests the fruit from his 10-acre plantation, has no secrets to keep.

He said, "The crop is smaller because the rains came too late. Thus first the strawberries dried out and the subsequent rainfall merely dirtied them."

The work is arduous. In one day Gulecinski and wife together harvest up to 30 baskets and the Fruit and Vegetable Processing Plants in Tarczyn pays them 7,400 zlotys per (2kg) basket. But for the time being it pays them only in the form of vouchers which can be exchanged for money only three weeks later.

"Now that time limit has to be extended," Waldemar Regulski, the supply expert at the plant, worries, "because we won't get the money from the bank within three weeks."

"And only 10 days ago we received a letter from Minister Gabriel Janowski with assurances that the new government will act differently and that credit has already been secured. Yet so far we still have not received the money. Perhaps it will arrive around 20 September?" wondered Wojciech Sobczak, the plant's director.

Last year the Tarczyn plant was granted a 30-billion zloty credit. For this year its declared need is for 107 billion zlotys, but its bank has informed it that the 1992

credit may not exceed 90 percent of last year's level. Given that situation, perhaps it is better that the harvest this year is smaller.

"We shall process about 2,500 metric tons of strawberries, meaning some 500 tons less than last year," said Deputy Director Chojnacki.

The Hortex plant in Gora Kalwaria has not—and it is no longer a secret—received any credit so far and must therefore "wheel and deal."

"We pay some suppliers less than we should and others not at all," said Director Blokus, "until the time when we have the money. We get a little help from the bank as it has not yet demanded the repayment of the loan we had taken out from it."

All the Hortex plants (and there are 10 of them in this country) have, taken together, bought up 13,000 metric tons of strawberries by 25 June, and by the end of the season they will procure about half as much more. That means that the peak season is over for strawberries, and now preparations have to be made for procuring other fruits: raspberries, currants, cherries.... For this purpose, too, the plants lack the funds. This year, Hortex needs 700 billion zlotys in credits to procure fruits and vegetables, of course in preferential credits bearing a 28-percent interest rate. For the time being such credits are not available, and it is not known when they will be. The Good Lord is likely to think that since they do not have the money, why should they need bumper harvests in, say, Wielkopolska or Middle Pomerania? And that may be why he has visited on those lands a drought that is already three months old.

**Prime Minister Stresses Need for Reconciliation**

92BA1180A Bucharest ROMANIA LIBERA  
in Romanian 20 Jun 92 p 6

[Interview with Prime Minister Theodor Stolojan by Gilda Lazar; place and date not given: "Without Reconciliation, Society Is Wasting Its Forces"]

[Text] [Lazar] Mr. Prime Minister, please tell us how you view the chances of national reconciliation at this time after two and a half years, even though that concept has lost its credibility because of all the empty talk and because it was launched by the president in conditions we all know about.

[Stolojan] That is an objective worthy of thorough analysis. I think that general elections are an absolutely necessary point of transition to clarify the situation. After all, what happened here? The 20 May elections are still being contested—Blind Man's Sunday, and so forth. There is something wrong about massive contesting. The fact that some people did not like the results, that is another matter. We must have elections, that is the first step. We hope they will be free and honest, and we will have to accept the results whether we like them or not. Otherwise it means that the law-governed state we are striving to build is an illusion. The elections must help give us not the peace that the Divertis group was talking about—this is not about a party of quietude—but must consecrate the mechanism of democracy.

[Lazar] That is, in your opinion, the most important objective.

[Stolojan] Of course, there are many other points, let's say smaller but equally important. I am talking about the situation in the Romanian society of today. We must once and for all clarify the issue of the minorities and see what points they believe the Romanian state is not now observing as it should. We must see what the real problem is. Anyway, in that respect it is clear that extremist positions will not lead to a solution. Either there must be some confusion somewhere, in the sense that we are talking about different things, or the will to find a solution is not there. As for the principle of "all or nothing" that prevailed at times of tension and of weakness on the part of the state, that is not the right principle. Interestingly enough, there are in fact one or two minorities that view themselves as patently discriminated against.

[Lazar] What other points?

[Stolojan] Another point, which may not be as apparent but which nevertheless exists, is the conflict between various religious denominations, the solution to which must be assiduously pursued to the end. There are intricate situations, property disputes, etc. We realize that we should not treat them lightly. Unfortunately, the churches are giving as good as they're getting, threatening us with fire and what not. And then, of course,

there is a wide range of issues regarding moral reparations. It is a special problem.

[Lazar] Are you referring to the trial of communism?

[Stolojan] Yes, to the concept of a trial of communism. In the first month I found myself getting such requests from every direction and I asked the lawyers what it actually meant. Do we begin a trial and then land in a situation like the one regarding the CPEx [Executive Political Committee]? I also asked the minister of justice to see what it was that in fact we wanted. One month passed, two months passed, and they're still deliberating. To start a trial like this without knowing with what concepts one was operating under can be very dangerous. In the final analysis, pressure will be created and the justice department consists of people, too, and under pressure people may make all kinds of decisions. That matter is also linked to national reconciliation and to the moral facet of society.

[Lazar] What about the Securitate issue?

[Stolojan] Plus this whole issue about the Securitate files, the former Securitate. That's another sensitive area. But, once again: Others have already dealt with this kind of issue, we don't need to reinvent the wheel.

[Lazar] Does the issue of property not belong on that list?

[Stolojan] Here, too, we must see how those around us have handled it. All those who tried to deal with returning property in the end had to give up, because after 50 years the situation is very involved. The answer is then more or less symbolic reparations. It is not easy to find a solution. A few steps have already been taken in these matters and they must be continued. But the key to the problem lies in free and correct elections.

[Lazar] Do you think that they will indeed be free and correct?

[Stolojan] Some people will not like the results. People lose elections in America, too, but no one thinks of disputing the entire process. Here, of course, the losers will scream as loud as they can. The same happened between the two world wars. The important thing is that we should have a clear conscience about having done everything possible to hold fair elections; as for reconciliation, it must come, otherwise society is wasting its forces.

[Lazar] We began our investigation with you because you have nevertheless taken some first steps, defusing several strikes and talking to anyone and in any conditions.

[Stolojan] You must not think that I have relinquished any of my objectives. No. At this time I am a bit worried about some trade unions and especially about some employers who, being simply terrorized by the trade unions, have given in too much. Our legislation hastily adopted only what was convenient and the balance is tilted in favor of the trade unions. Life will gradually correct it, but not in the sense that some people resent



other people's standard of living. The problem is that society must achieve a balance in several areas, and the sooner the better.

[Lazar] Is this a serious reason for concern?

[Stolojan] Of course, I am worried because in some places it went farther than it should have. I want to remind you that in 1990 people didn't work, but salaries were paid. In 1991, in addition to indexing, salaries increased 60 percent, something that sent prices sky high and accelerated inflation. In 1992, according to calculations to date, growth has been about 20 percent and was immediately reflected in prices. I hope that by 1993 we will return to normal. What advantage did I have in this whole madness? Having a better grasp on the scales of the economy, I was able to devise solutions that did not jeopardize my objectives. And I had the patience to talk.

[Lazar] Does it not seem to you that the initial procedure was wrong: Instead of us becoming reconciled with them, they became reconciled with us? That is to say, those who were formerly in power became reconciled to us?

[Stolojan] I don't understand.

[Lazar] If you like, we can list them by name: the current president—a former county first secretary; the house speakers—leading activists; the former Securitate—today the SRI [Romanian Intelligence Service]...

[Stolojan] Let's look at it the other way around. Here we experienced a phenomenon that people don't want to accept and that was different than in other countries. Here there was a break.

[Lazar] Wasn't it "patched up," though, in the meantime?

[Stolojan] I don't know. Whether the revolution was simulated or not, is another matter, but elections were held and they engendered a certain structure. I think that in general things are greatly exaggerated. Of course some people represent certain symbols by their own being, don't they? Linked to the past to a greater or lesser degree. Each one of us is in some way linked to the past, it couldn't be otherwise. It was a stage in Romania's life. Could we have skipped it? I don't think so. Now comes the stage after general elections. So everything is connected in a certain order, like beads on a string.

#### **Impatience, Anxiety Over MFN Delay Expressed**

92BA1168A Bucharest DIMINEATA in Romanian  
25, 26, 27/28 Jun 92

[Article in three installments by Mircea Manca-Dolj: "Most-Favored-Nation Clause: Forecasts, Perplexity, Puzzlement"]

[25 Jun pp 1, 5]

[Text] Moved by the best intentions and determined to eliminate a number of previously stated reservations, the

new government, the one that assumed Romania's leadership after 22 December 1989, condemns all foreign policy "restraints" and declares null and void, among other things, the unilateral February 1988 revocation of the Most-Favored-Nation [MFN] clause in its relations with the United States.

In noting this post-December decision, the U.S. State Department viewed it as "very good, very positive news."

Despite that, allowing itself to be once more inordinately influenced by vested interests—which have misrepresented conditions in postrevolutionary Romania and deliberately emphasized negative considerations—and without correct, unbiased information from the American Embassy in Bucharest, and surprisingly (or curiously) from the CIA, the U.S. Government and Congress adopted a sidestepping, equivocating position toward reinstating the most-favored-nation clause for Romania.

Two years have now passed since the historic events of December 1989 which decisively turned the page of Romania's destiny. Since so much has been said about the clause, we will briefly outline its concept and its place in Romanian-U.S. relations.

The MFN clause is a special provision entered in an international document (agreement, treaty, and so on), through which the contracting parties grant each other the same advantages and privileges they have granted or will grant to a third country.

This provision (clause) is customarily used in relations among nations and operates in those fields that are the object of bilateral or multilateral agreements: trade, navigation, legal status of people, and so on. In practice, two forms of MFN clause are used:

a) unconditional and without compensation, which presumes the obligation assumed by each of the contracting parties to extend all rights, advantages, privileges, and assistance that are granted or will be granted to a third country;

b) conditional or compensated, a situation in which the rights, advantages, privileges, and assistance that are granted or will be granted to a third country are extended only conditionally or with compensation.

The conditional or compensated form has been widely used in trade agreements among countries during the first half of our century. As a rule, the unconditional or uncompensated form has been used after this time, thus facilitating collaboration among contracting parties based on respect, equality of rights, and mutual advantage; that prevents or should prevent discriminatory treatment in bilateral relations or relations with a third country. It is from this standpoint that the MFN clause is one of the fundamental principles of the General Agreement for Tariffs and Trade (GATT).



We must emphatically point out that in no international law document is the granting of a conditional or compensated MFN clause associated with criteria of a political nature. In practice however, as in many other fields, such provisions are knowingly ignored by the great powers, which take the liberty to impose unorthodox—to use a tactful term—conditions and constraints.

How did various excuses and conditions arise in Romania's—and not only Romania's—relations with the United States for receiving or granting this by-now obsessive clause? Here briefly is the chronicle of this confusion in the last quarter of the 20th century.

In 1975, the U.S. Congress imposed on the trade law, from essentially political considerations, the so-called Jackson-Vanik amendment (the first one a senator, the second a member of the House of Representatives), according to which the MFN clause in trade relations with "socialist countries" is granted only to nations proving that they assure emigration rights to their own citizens.

As a result, that "treatment" has been applied differently and preferentially to some "socialist" countries, in terms of duration or procedures (Hungary, Poland, Czechoslovakia, for instance).

The clause is effectively granted annually, although many efforts have been made to extend the period to three-to-five years, which would offer the parties the unquestionable mutual advantage of longer vested interests in import-export and cooperation operations.

The Jackson-Vanik amendment was adopted in the midst of an electoral campaign and in fact sought to induce the former USSR—where the largest number of generally highly qualified people of Jewish origin (3 million in 1975) lived and still live—to authorize their emigration to the West, and primarily to Israel, the United States, and South Africa, which have large communities of Jews who are powerful from a financial, economic, scientific, cultural, and mass-media standpoint.

In imposing the adoption of the amendment, Senator Henry Jackson, of Jewish origin, who had announced his candidacy for the Presidency of the United States, hoped to obtain the support of high finance and the mass media. His estimate proved to be unsound and the inevitable happened. Considering itself a superpower, which in fact it was at the time, the USSR decisively rejected that amendment, which it regarded as a form of pressure unworthy of its international status. And thus, contrary to expectations, the amendment proved to be an unforgiving boomerang in relations with the USSR. Senator Jackson was repudiated by the World Jewish Congress, which met in a stormy session at its Geneva headquarters and deemed him unsuited and dangerous for high office, in whose exercise, acting hastily, without adequate discernment, and under the impulse of the moment, he could commit mistakes that would prejudice the interests and prestige of the United States and of the

Jewish people. Censuring him in harsh terms, the World Jewish Congress withdrew its electoral support. At that point, unable to bear the shock, Senator Jackson became ill, withdrew his candidacy for the Presidency of the United States, and ultimately disappeared from the North American political scene. But out of vanity, he did not withdraw his amendment; and surprisingly, neither did Charles Vanik, known as a realistic and well-balanced, unprejudiced politician and congressman.

[26 Jun pp 1, 5]

[Text] Initially therefore, in 1975, its authors did not intend to aim the Jackson-Vanik amendment at Romania, which, on the contrary, was well regarded for the consistent policy of facilitating Jewish emigration ever since the fourth decade of the century. The U.S. Government—Nixon, Ford, Carter, and so on—was clearly, unquestionably, and repeatedly praised by the leaders of Israel and the large national and international Jewish organizations. All of it well founded, because more than 400,000 people from an average population of 20 million successively emigrated from Romania during the last five decades, representing the largest percentage in Europe. Had it not been for various political and other interests, including those associated with the justification of the position of chief rabbi and the continued existence of the Federation of Jewish Communities in Romania, the Romanian Government, given its strong traditions and deep roots, would not have denied the right to emigrate even to the last person in this category. Of course, all of it was carried out with proper concern so as to respect the options of each requestor, and by taking into consideration the indisputable fact that not all Jews in Romania wanted definitively to leave the country for reasons of age, social or family situation, and health, not to mention religious or political reasons.

Because of all these facts and considerations, our country received assurances from the start that the Jackson-Vanik amendment did not concern Romania, and that "it need not worry," assurances that during the early years were in fact reflected in the attitude of the U.S. Government and Congress. Moreover, the latter also recognized that in the formulation and finalization of the Helsinki Final Act, Romania did not obstruct, but on the contrary contributed positively to the adoption of the chapter on "Cooperation in Humanitarian and Other Fields," since the Romanian Government has effectively applied most of those provisions for a long time. Subsequently however, influenced negatively and on the basis of deliberately distorted information regarding conditions in Romania, as well as by exacerbating some mistakes of the previous regime, the U.S. Government and Congress gradually changed their position, determined in great measure by the new objectives of their policy in this portion of Europe.

A significant and evil role has been and is still being played by Budapest officialdom in close and constant relations with irredentist-revisionist emigres—primarily in the United States, Canada, Germany, and Great

Britain, as well as the Hungarian fifth column in Romania. The first and only member of Hungarian descent in the U.S. Congress, Tamas Lantos, ever since his first visit to Romania in 1980 as the "head" of a delegation, demonstrated a blatantly partisan attitude, displayed forcefully and with undisguised arrogance, and knowingly misinformed the ruling forums in America, while he exercised an anti-Romanian influence both within the Congress and the government. Experience has shown that such persons do not want to, cannot, and will never be able to serve truth and the establishment of normal relations between Romania and the United States, or between Romania and Hungary.

Against this background, relations between Romania and the United States steadily worsened. Under such conditions, the old regime took the unilateral decision to reject the clause in its relations with America, and in 1988 they applied reciprocity.

That decision certainly expressed in great measure Nicolae Ceausescu's enormous vanity and ambition, but in the political game of nations, those who bear the great cost of consequences are as a rule the people of the country that is smaller and weaker from an economic, financial, and military standpoint, as has unfortunately been the case with Romania this time.

[27/28 Jun pp 1-2]

[Text] The situation changed fundamentally after the overthrow of the former totalitarian regime. Romania has a new, modern Constitution that stipulates and guarantees the fundamental rights and liberties of all the country's citizens, plurality of opinion and collective and individual expression, plurality of parties, the principles of democracy and market economy, a state of law, diverse forms of property ownership, and so on.

Acting in the spirit of true democracy, the new administration organized the first free legislative, local, and presidential elections in the postwar period, established the effective separation of powers in the nation—Parliament, Presidency, government, judicial authority—and went on to build the legislative framework appropriate for the current historical stage, adopting among other things, the Land Resources Law and the Privatization Law.

Postrevolutionary Romania has undertaken many and significant domestic and foreign measures which testify without any reservation to the sincerity of its unwavering decision to join, as rapidly as possible, the great family of profoundly democratic Western nations in Europe and beyond our continent, to become part of appropriate multilateral structures, and to actively sustain the efforts of the world community in assuring international security and cooperation and in establishing peace throughout the world.

In today's Romania, any return to the past is neither wanted nor possible. Any attempt to halt the progress of

the Romanian people along its new path, and especially to bring it back to its old ways, is doomed to certain failure.

Given all these considerations, the Romanian people cannot understand the reason for the restraint and pretexts invoked by the United States to delay granting the MFN clause to Romania.

As a matter of fact, Romania is not asking a favor for itself, because in turn, it reciprocally grants that clause in accordance with international practice.

We are surprised by the insistence, which deserves a better cause, of the U.S. Government, of President Bush, to postpone a recommendation to Congress, according to procedures used in these matters, that Romania's MFN clause be reinstated.

The invocation of constantly new pretexts, which, curiously enough, were not invoked for other countries, some of which have seriously and repeatedly violated human rights (China, Russia, South Korea, Turkey, Israel, Kuwait, Saudi Arabia, Pakistan, Thailand, Afghanistan, Algeria, and many others), only strengthens the conviction that other reasons, explanations, and interests are at the heart of the problem.

Many declarations and promises have been made by authorized representatives of the United States that the clause will be granted soon, but we have been waiting since the beginning of this year and nothing has happened. Since the draft law introduced in January 1992 in Congress by Barbara Kennelly, member of the House of Representatives, to grant the clause, there has been no perceptible movement. We were asked to have local elections: We had them. We were required to sign a new bilateral trade agreement and later to conclude a treaty for promoting reciprocal investments: We also fulfilled that condition. We are now faced with the need to hold "free and correct" general and presidential elections: We will also satisfy that demand.

The truth is that the reinstatement of the MFN clause does not automatically engender advantages. In order to benefit from the expected advantages, the government, and primarily the Ministry of Commerce and Tourism, must first prepare and orient economic institutions and economic units toward export concerns, and must concentrate on several inescapable facts, such as:

- a) the preparation of export goods to penetrate American markets;
- b) regaining former customers and markets, primarily in light industry—shoes, clothing, textiles, and so on;
- c) using with the greatest professionalism the advantages extended by having Romania placed on the list of those benefiting from generalized tariff preferences ("Generalized System of Nonreciprocal and Nondiscriminatory Preferential Tariffs for Developing Countries"). Which in turn means the exploitation of Romanian products that benefit from special treatment from the United

States, as a country which extends generalized tariff preferences (as a rule, for finished and semifinished products);

d) not lose sight of the fact that transportation costs, given the long distance to America, places a handicap on Romanian exporters;

e) the protectionist measures taken by the U.S. Government in its relations with Eastern European countries.

These American protectionist measures in its trade with former socialist Eastern European countries are in fact pointless, because the restrictions placed on goods from Eastern Europe protect the American market against a nonexistent threat, given that these countries, including Romania, will for a long time not become feared competitors for North American producers.

Until then, let us first solve the matter of obtaining the MFN clause from the United States, a decision which would mark an important point in the history of relations between the new Romania and the United States.

#### **PUNR, UDMR Wings Said Considering Merger**

*AU2307140192 Bucharest AZI in Romanian 17 Jul 92  
p 2*

[Article by I.R.: "Merger of the National Unity Party of Romanians and the Democratic Union of Hungarians in Romania?"]

[Text] The Democratic Union of Hungarians in Romania [UDMR] organized a "secret conference" on 5 July 1992 in the Harghita-Bai health resort. Among other issues related to the situation of that ethnic minority, a 23-page secret plan of territorial autonomy, presented by Chamber of Deputies member and UDMR spokesman Jozsef Csapo, was also discussed. In spite of all the secrecy, sources close to UDMR (from the Democratic Convention) said that the excessive zeal of deputy Csapo may be explained by the fact that he would like to become UDMR president. Anyhow, that program was eventually scrapped because it was considered that it would discredit the UDMR in view of the coming elections. We would like to draw attention to the fact that the "hardliner" wing of the UDMR might merge with the "communist" wing of the Cluj branch of the National Unity Party of Romanians [PUNR], the latter having also elaborated an "autonomy plan" that would implicitly also discredit their whole party.

#### **Coposu on Party Issues, Political Role of Women**

*AU2307142592 Bucharest DREPTATEA in Romanian  
17 Jul 92 pp 1-2*

[Second and last part of interview with Corneliu Coposu, president of the National Peasant Christian Democratic Party [PNT-cd], by Mariana Sipos; place and date not given: "Candidacies Will Not Be Put Up for Auction"]

[Excerpts] [Sipos] After the nomination of the candidate, there were differences and changes at the top within the two parties belonging to the Democratic Convention [CD], thus causing great confusion even among those who threw their full support behind the CD. What is your opinion about the situation in the National Liberal Party-Young Wing [PNL-AT] and in the Christian Democratic Union [UDC]?

[Coposu] What I have heard from the conflicting sides is that both within the PNL-AT and the UDC there were a number of discussions and conflicts that produced important rifts within those formations. The CD cannot interfere in the internal affairs of other parties and it does not mediate internal conflicts that arise. The CD cancelled a cooperation project with the parties themselves and not with the various representatives of those parties. Until it is proved to the contrary, Mr. Mihai Grama continues to be the UDC representative with the Convention. [passage omitted]

In relations with the CD, the PNL-AT is represented by Messrs. Rene Policrat and Horia Rusu, who is the current executive president of the steering committee. We will continue our cooperation with those two parties, while leaving each of them to settle their inner differences, in which the CD cannot interfere.

[Sipos] What is the truth about the fabulous sums of money the PNL-AT would put at the Convention's disposal in exchange for a certain percentage on the ticket of candidates?

[Coposu] That is nothing but groundless speculation by the press. Election costs will be covered proportionally by all parties and formations within the CD in accordance with their weight within the Convention. And there is no exception. That means that candidacies will not be put up for auction; election costs will be distributed fairly. Thus, the story about those millions is just speculation by the press.

[Sipos] The PNT-cd is in the process of finalizing its ticket. [passage omitted] Are the steps that the PNT-cd leadership is taking to ensure that women regain the rights and place due to them in society—as in any democratic society—not well enough known?

[Coposu] In all the statements I have made and in my speeches at election rallies I emphasized our party's special interest in having women and youth involved in political activity. I even mentioned Margaret Thatcher's recommendations about paying particular attention to women, with whose help she won four elections and was able to govern for 12 years. Our recommendations to county organizations stipulated the desire of the central leadership possibly to include many representative women on our tickets. I am sure that the next Parliament will be marked by the noticeable presence of women, who deserve their place, bearing in mind that they represent 52.8 percent of the electorate. [passage omitted] Generally speaking, women have shown a certain reticence about asserting themselves in the political

struggle. In fact, they did not have much opportunity, because for 43 years they were kept in the dark, without being able to use their talents or assert themselves. We hope that from now on it will change, and that we may have many women in Parliament and in executive positions. In any case, our party's leadership supports that point of view and actively promotes women. We are convinced that women must assert themselves, and contribute to the restoration of our country and the establishment of democratic institutions.

#### **PUNR Supports Change of Transylvanian Prefects**

*AU2307114492 Bucharest Radio Romania Network  
in Romanian 1000 GMT 23 Jul 92*

[Text] The Romanian National Unity Party [PUNR] has faxed the following communique:

Regarding the protests of the Democratic Union of Hungarians in Romania [UDMR], which were sent to the Romanian Government regarding the replacement of the prefects in Covasna and Harghita Counties, we want to specify as follows:

The decision made by Romania's Government, which has that prerogative like any lawful country, is absolutely legal. Prefects are not nominated in accordance with the criterion of communist proportion to which the UDMR was so accustomed. The government of a democratic nation is the only one entitled to nominate them in accordance with the country's national interests.

Given the fact that the UDMR is not a ruling party, its claims are absurd because they are based on the principles of communist egalitarianism. That ethnic political formation has greatly harmed Romanian democracy and Romania's image in the world and has instigated the population to antinational and destabilizing actions.

From a political and social viewpoint, the UDMR is cultivating ethnic nationalism, chauvinism, territorial isolation, and the dogmas of democratic centralism. The UDMR ranks among the political formations promoting retrograde and bolshevik ideas and continues to promote the policy of the narrow-minded and paranoiac proletarian internationalism.

We want to advise the UDMR that it assumes full responsibility for the antinational, ethnic provocations in Covasna and Harghita, which contradict Romania's Constitution and the principles of a lawful state, the communique emphasizes.

#### **Timisoara Companies' Dealings With FRY Barred**

*AU2307102092 Bucharest ADEVARUL in Romanian  
16 Jul 92 p 1*

[Unattributed report: "Embargo Against Yugoslavia Strictly Observed"]

[Text] Concerning the implementation of the embargo imposed by the UN Security Council against Yugoslavia,

the Government of Romania has asked for permission to exempt from those measures certain companies in whose case implementation would raise special problems. Discussions that have taken place so far at the Committee for Sanctions Against Yugoslavia, have resulted in the conclusion that two Romanian trading companies of Timisoara, Solventul and Comtim, do not meet the conditions necessary for such an exemption. Taking that situation into consideration and reasserting its determination to strictly observe sanctions imposed on Yugoslavia by the UN Security Council, the Government of Romania has decided to suspend all import and export operations that had been established within the technical cooperation accord among the Solventul and Comtim trading companies and their Yugoslav partners, until a final decision from the Committee for Sanctions Against Yugoslavia is received.

#### **'Disinformation' About Wheat Supplies Criticized**

*92BA1205A Bucharest ADEVARUL in Romanian  
30 Jun 92 pp 1, 5*

[Article by Ion Marin: "Will We Find Out in the Next Century Why We Do Not Have Wheat Today?"]

[Text] *A banking obstacle exhausting even the small amounts of wheat in state reserves. But how expensive is the wheat bought "without money"?*

In a dramatic intervention before the Senate, Prime Minister Theodor Stolojan recently discussed the urgent need for massive wheat importation, if the shelves are not to remain empty and the people without bread. How did we reach this truly intolerable situation? It is not that important to find who is guilty, says the prime minister; maybe in 100 years we will find out.

But we believe that it would be grievously and absolutely unjust if we were to leave this task to the descendants of our descendants, especially as some indicators already exist that could clarify the lines of responsibility, as well as some factors that would impel such clarification.

On 20 March of this year, in one of his party's (PDAR, the Agrarian Democratic Party of Romania) conferences, Minister of Agriculture Petre Marculescu gave the people some comforting news: "We have enough wheat until the next crop, and we did not touch the government reserves."

In our newspaper, we have shown that this is disinformation typical of the former regime, false "reporting" intended to mislead, not only the population, but also the government and the country's leadership, which will soon find itself faced with an irrevocable situation. As to the state reserve, the truth was well known by all, including by those whom the minister seemed intent on deluding: it had been touched, and massively so; and continued to be touched after that resounding statement.

At that point Romania was already out of wheat. However, a sustained campaign was orchestrated to impose the ministerial account, culminating in the answer the same minister gave to our reporter in a press conference—a government press conference—organized at the end of April. This time, without even blinking, Marculescu said to the prime minister: “Right now, the necessary wheat is assured. We are operating under a contract which has had some repercussions in the press, but which allows us to receive wheat without money.” (He was referring to the wheat being brought in—with solid money, at the highest prices—through Agroexport, not missing the opportunity to once more justify the irregularities that were taking place there).

In the meantime, the situation was becoming seriously complicated. In some counties, the bread problem had become acute; throughout the country, supplies are the order of the day. The state reserve is once more being used, which, in the given international and regional situation, is an action whose consequences could be difficult to evaluate.

On 3 and 8 April, the Department of the Food Industry organized a bid to import 750,000 tons of wheat; it was won by three companies that offered prices considered to be without competition. As it turns out, without results as well: Eurocomision engaged itself to import 300,000 tons at only \$122 per ton; Max Vector, 250,000 tons at \$138; and Pupa SRL, 200,000 tons at \$142. Immediately afterwards, the Canadian Wheat Council—the expected wheat was of Canadian origin—sent a letter that showed such low prices are not possible. The Minister of Agriculture received the letter through Agroexport, which participated in the bid without having had a chance to bid at the time. The prices offered by the three companies are \$30 to \$40 lower than that of the wheat imported by Agroexport with COFACE [French Foreign Trade Insurance-Credit Company] credits.

Despite involved or disinterested warnings, precontractual operations continued at the highest levels. The government's Decision No. 273 of 1992 approved the importation, and established domestic accounting and payment methods; that was on 22 May, more than one month ago, enough time to avoid, at least in part, the serious problems that followed. On 3 June, the National Bank together with the Ministry of the Economy and Finance, the Ministry of Agriculture, and the Ministry of

Commerce and Tourism, under the signatures of Messrs. Isarescu, Danielescu, Grasu, and Fota, sent a guarantee document to the Romanian Foreign Trade Bank (BRCE) to open a credit of \$70 million, to which were added \$29.5 million to pay for transportation, insurance, interest, and bank costs abroad. And, despite the fact that the prices are incredible and the other conditions favorable, that a state guarantee and government decision do exist, that, as the prime minister recently showed, the importation is vital, BRCE did not open the credits until the time we were notified. Why? Who will be responsible for the situation that has been created? And when? In 100 years?

The government, which has made a decision about the country's dire need, cannot direct the (after all) Romanian bank to sign the document more rapidly; but when it involved the COFACE credit through which Agroexport imported wheat, the bank accepted it immediately.

But now it would appear that the circumstances are different. Stolojan was forced to sign again to withdraw another 100,000 tons from the state reserve, even though an even larger amount had been requested. An amount which will be withdrawn in any case, even if BRCE will deign to open the credit at the last minute; the first shiploads of wheat will not arrive in Romania before at least two weeks. From the new crop, the one minister Marculescu had in mind when he said that “we have wheat,” it will not be possible to mill anything before the end of August, after the required aging period.

But the much-discussed future crop is only the start of the wheat and bread tragedy, the drama of Europe's “granary.” About 3 million tons of wheat were stored in state silos last year, leading to the present situation; the production was more than 3,000 tons from an area of 2.5 million hectares. A smaller production is estimated for this year, and it is known for certain that the planted area was smaller by one million hectares; this year, wheat will be harvested on less than 1.5 million hectares. That means that we will have to import at least twice as much. With what money? Who is responsible? What interests, and of what nature, are at play here? They certainly cannot be called social, and especially not national.

And in this dramatic situation, the prime minister postpones the explanation of the causes and responsibilities until the next century.



### Weaknesses of Serbian Stabilization Program

92BA1229D Belgrade NIN in Serbo-Croatian 10 Jul 92  
p 27

[Article by Ljubomir Madzar: "It Is Feeding a Horse for the Sake of a Sparrow"]

[Text] Anyone who is familiar with the agonies of developing stabilization programs knows that it is incomparably easier to criticize these programs than to create them. People without any real experience in this work can be recognized most easily by the fact that they act like ruthless critics. If certain critical comments about the latest package of measures turn out milder than could have been expected, in view of their characteristics and the nature of the situation, then it is a consequence of an uncontrollable feeling of solidarity with those who have bathed in the same sweat.

The first question is whether this program package should even have been activated at this time. It is true that the situation has started to get desperate and that economic policy could not sit with its hands folded. The clock has started to strike, and a time of urgent action that cannot be postponed has descended upon this policy with the weight of lead. Does what will have to be undertaken, however, really have to be packaged in this program package and put into circulation with a difficult and uncomfortably binding wrapping?

More important than this is whether a federal government, which has jurisdiction over most of the elements of this program, will be formed in the foreseeable future. It is a general rule that new teams appear with their own programs. It is hard to believe that a new federal government will make an exception. The prospects are slight that it would make such an exception even if there were serious reasons for it, in view of what is offered in the package. It will not be able to see those reasons, and so a new program is almost inevitable, and moreover within a period of a few months. In addition to all the problems, it is also necessary for the economy, actually at the same time, to be exposed to the twofold blow of major economic policy undertakings? The program's adoption could have been motivated either by a desire to prejudice certain courses of economic policy action, or by political marketing reasons. The first of these two possible motives is inappropriate, and the second is not socially beneficial. Furthermore, program packages turn economic policy actions toward the goals that are built into them, but because of their ambitious scope and the insufficient time, they are not feasible. In the meantime, a certain number of less spectacular but therefore feasible things will not be done. Social and state energy is being sent in the wrong direction.

Control over incomes is one of the program's more important elements. It contains the most professional scope of overall Yugoslav economic thought. It is also consistent in its impressive analytical apparatus of using the methodology of a conventional worker, and all the garnishings that obligatorily go along with it. In principle

it extinguishes a standard source of inflation by limiting expenditures and reducing differences in compensation for the same work. This kind of control over incomes can contribute to equivalence and solidarity in bearing the consequences of the current economic cataclysm, and solidarity is a high enough value that, particularly in times like these, it can be raised to the level of an independent goal. The proposed solution limits enterprises' total incomes, but flexibly allows their internal differentiation.

The list of favorable things that can be cited about income control ends somewhere around there. The first problem is that their stabilization effect is irrelevant and negligible, since they are not now a cause of inflation. Inflation is being created primarily by the spectacular disorder in public finances, which is a result of the circumstances that politics has imposed, a burden on the economy that the latter cannot bear.

There are also psychological factors here: Having had bitter experiences in connection with inflation's devaluation of income and wealth, economic entities build price growth into their transactions in advance. High inflation inevitably results from such conduct. Even if there were no real causes for the growth of prices, hyperinflation has the awkward characteristic of inevitably turning into its own cause. These entities have lost confidence in money and the state, but the proposed package has not done anything to restore it and to suppress inflationary expectations.

Income control sanctions and cements the existing structure of employment. The permitted wage fund depends on the number and skill mix of the employees. In view of the enormous surpluses, this halts necessary adjustments and slows the economy's movement toward an economically rational combination of production programs and production factors used. As it has done previously in similar conditions, the economy will immediately start to raise the skill mix of employees. If this is prevented, by insisting on strictly formal criteria, it will turn out that the wrong type of knowledge is being stimulated while ignoring the knowledge and experience that are acquired on the job and that are the most valuable from the standpoint of productivity and efforts to increase it.

The most dangerous characteristic for productivity is the one that turned out to be good from the standpoint of solidarity. Even a general limitation and an accounting range of 3:1 will prevent adequate compensation for the most creative personnel at enterprises.

Prices are another important segment of the program package. The biggest problem in connection with prices is freezing them. When inflation is so high, freezing can only be partly successful. To the extent that it can be achieved, however, it does more harm than good.

There are various motives for administrative price control. The most important are the social welfare ones. Unfortunately, they are wrong, since because of a desire to help socially threatened groups, the entire population



is subsidized. If someone on the brink of subsistence should be helped to survive, then this does not mean that the author of this article or the editor of this magazine should be helped through an artificial reduction in the price of bread. It is as if a narrowly defined target, designated in the form of a point, were to be hit by a widely scattered cloud of shrapnel. The Americans have a good expression for that kind of approach to economic policy: "feeding sparrows by feeding the horses."

The program's biggest weakness is the inevitable tension between administratively restricted prices and wages, and, on the other hand, the strong hotbeds of inflation that will continue to have an effect. Abrupt reversals are not possible, because the political situation that has been created has its own logic that will continue to force high expenditures unless and until something major changes. The printing of money will continue and the existing political regime will just not be able to stop it. The psychological factors that will continue to operate with undiminished force are themselves sufficient to maintain and even accelerate inflation. Under these pressures, administrative dams have to collapse.

There is some consolation, however. A new group will come with a new program, and, one may hope, with more strength to neutralize the political determinants of inflation. The program's creators could be lucky enough not to experience failure, because it is not put into effect. The replacement of the program will probably happen, life will take its own course, and this shortlived undertaking will sink into an abyss of oblivion as if it had never existed.

#### **Macedonian President Gligorov on Foreign Policy** *92BA1198A Skopje NOVA MAKEDONIJA* *in Macedonian 4 Jul 92 p 3*

[Address by Kiro Gligorov, president of the Republic of Macedonia: "The Strategic Objective Has Been Attained"]

[Text] *As a result of the basic stipulations of our foreign policy and internal changes, the concept of Macedonia throughout the world is that this is a country that has opted for a democratic course and a market economy.*

"I was profoundly convinced that a brief and clear declaration would be heard on the morning of the first day and that the very same day it would be heard throughout the world as the voice of Macedonia," Kiro Gligorov, president of the Republic, noted at the start of his address to the envoys, alluding to the three-day extensive and irrational discussion in the course of which the declaration of the EC was to be evaluated. "Had there been no reaction on the part of the government and to my appeal, we would have waited for five days before hearing the declaration of the EC on listening to the voice of Macedonia. The most important thing, to the best of my understanding, is that no one was against the declaration or the mentioning of our name. All parties and all ethnic groups favored it. This has been

a rare moment of general consensus in such an important matter. Nonetheless, we cannot ignore party considerations. I believe that it is precisely at this point, when we are working for the Republic and for its name, to take this into consideration," the president of the Republic said.

"Apparently, to begin with, this event was expected for the sake of questioning the entire strategy and policies as well as what has been achieved so far, and only then for demanding resignations, including that of the president of the Republic. Actually, the demands are clear. Efforts are being made to force the resignation of the president of the Republic, and all of the rest is secondary," Gligorov went on to say. We then realized that both the domestic and the foreign policies were interlinked, and, because we had not been recognized, this affected both the foreign and the domestic policies. My impression is that all of the critics were waiting to express their opinions, which is not bad. Condemnations, proclamations, and demands for new strategies were given priority, while arguments were kept in the background. According to some, such arguments were not even needed. Eventually, the essence of the matter was lost behind the many problems that were raised. The declaration of the European Community and our answer were expected of us, of Europe, of the world, and of all people. This was our obligation, Gligorov said.

#### **The Only Possible Way**

Pointing out that our key strategic objective, that of Macedonia and its parliament, was to have a free and sovereign Macedonia, President Gligorov said that this objective unquestionably has been attained. So has the second objective, that of ensuring sovereignty peacefully. Third, we did not allow the outbreak of interethnic quarrels, Gligorov went on to say, stressing that there are many disputes among us, some of them quite fierce confrontations, but that we nonetheless applied political means to ensure their resolution through legal institutions, dialogue, and discussions. This path is slow and does not yield overnight results but demands patience and tolerance. This is the only way if we want to preserve peace, coexistence, and the stability and future of Macedonia.

Fourth, Gligorov went on to say, it was proper to hold a referendum and draft a new constitution. Given our delicate condition, when questions were raised about the name and the nation, we established our right to self-determination at the proper time. This is a fundamental fact in favor of our independence. Pointing out that we met the conditions set by the EC in its 16 December 1991 declaration, with the approval of the Badinter Commission, the president noted that we did what was required in order to be recognized as a state.

Kiro Gligorov then briefly discussed our foreign strategy, stressing, first of all, our relations with our neighbors. According to him, all of the prerequisites for good relations with Bulgaria exist. He expressed the hope that

the disagreements concerning the matter of the nation will be resolved. We are developing good relations with Albania, and we shall make efforts to establish good relations with Serbia. A state border has been drawn up, across which, correctly and without obstructions, people and goods are currently moving. We know how often we have asked to hold discussions and talks and to establish contacts on any level, even the highest. There was no response. The United States and Germany also tried to promote contacts, Gligorov said, stressing that the European option is an irreplaceable feature in our foreign policy and that this is our overall final choice. In summing up that part of his statement, he said: "As a result of these basic stipulations of our foreign policy and internal changes, the view of Macedonia throughout the world is that of a country that has opted for a democratic course and a market economy. Nothing else has been either said or written about Macedonia throughout the world."

#### **Why We Were Not Recognized**

Before moving on, as he said, to the short question of why we were not recognized on 15 January, after we had met the conditions, and why it is that, for the past six months, the question of our recognition has kept being postponed, Gligorov made a more extensive statement, especially on what the EC represents and what interest motivates those 12 countries. The Republic president said: "We must not idealize the EC for even a minute; on the other hand, we must not believe that it is working against us, that it is a Community that wants to enslave small nations, and so on. These are matters that are beyond any realistic and objective analysis of the conditions in Europe. I mention this in reference to the case of Macedonia and the fact that the debates within the EC deal with the interests of the Community. Meanwhile, in Maastricht, that Community signed an agreement to resolve matters on the basis of a consensus. The Community is concerned, above all, with its own affairs and internal cohesion, and all of its resolutions are conditional. They must be ratified by the various parliaments or by a referendum." Kiro Gligorov emphasized that Greece holds the status of a privileged participant in the debate on Macedonia. It is a privileged position to participate in discussions concerning a third party that cannot be present and defend its interests. That is the reason the recognition of Macedonia has been put off for six months.

In pointing out that the latest decision of the EC is that it is ready to recognize Macedonia if it were to change its name, Gligorov pointed out that this is neither a mandate nor something that commits us. In illustrating the nature of this document, he recalled the statement by Mrs. Tutwiler, spokesperson for the Department of State, who recently confirmed that there has been no change in U.S. policy toward Macedonia.

#### **Need for Unity**

Sincere and open though they may be, differences do exist among Macedonians, Gligorov went on to say. This

can be a sign of increased democracy, but only when it pertains to a different problem. As for this problem, I fear a repetition of history. In 1944 we were united and became a state under equally difficult circumstances. Today we are once again on trial. Regardless of the differences, we were able to achieve unity on the key matters affecting the foundations of an independent Macedonia, which must be recognized. Now, in one of the final moments, we could either become divided, as the Greek press claims, stating that "chaos in Macedonia has started," or, again on this matter, we must demonstrate our national unity, the unity of all citizens of Macedonia.

I hope, Gligorov emphasized, that we shall pass this test regardless of what others may say. The aspiration to remain in power will not cloud my mind. The elections will come, and everyone will have a chance. Political aspirations and careers must not be based on the survival of Macedonia. If we fail to be united in the discussions we face, we shall lose, and, at that point, the desire of those who are impatient to assume power will become an illusion because we shall have no power. Let us set aside party haste, hints, and heady statements, which, I am deeply convinced, not even those who voice them believe, on the basis of the strict rule that in order to reach an objective all means are justified, thereby negating our achievements or ignoring the threat of destabilization of the state, the expansion of the war, and the loss of our independence.

Answering insults and demands for his resignation, Kiro Gligorov, at the end of his address, said: "I do not wish to defend myself and do not intend to try to prove my patriotism or ask anyone to take up my defense. In the case of all of us, there will be others to determine who did what and who made mistakes, but that will be based on different criteria. The final word will be that of history, with its so-called scientific tools. As to the insults and whatever has been said, those are the signs of our times, of what people usually say, which is why I have no worries. It is dangerous, at this point, to thump our chests and claim greater patriotism because, in such times, this can also be done by people who have done nothing for Macedonia. Patriotism cannot be proved by attacking other people. Patriotism is the true intimate feeling of every person, and a true patriot shows up whenever something has to be done to help the fatherland. This must be proved through actions." Gligorov said that he is concerned with two things: the difficulty of a choice, which sometimes can be as sharp as an ax, and the impression that sometimes he fears a return of our national nihilism. Gligorov also argued with the presentation made by Representative Arsov, stressing that it does not oppose any given party. Because of them has its own program and, something that is normal in a democratic atmosphere, should engage in an honest struggle of ideas. He said that he is not opposed in the least to the tremendous number of people who, he is profoundly convinced, voted for the VMRO-DPMNE

[Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity] for patriotic reasons.

In connection with the demand for his resignation, Gligorov said that insults and moral and other pressures cannot be a reason for his resignation. "I am a responsible person, and, at this point, in such a difficult way and with such pressure, I am not about to take such an action easily, above all because of what I already said, which was a review of the implementation of our strategy, which does not demand and does not allow such an action. However, I do not dispute the right of anyone to demand my resignation, should such people deem this to be necessary." Gligorov said that this could be achieved in two ways: by gathering the necessary signatures in parliament and submitting a request for resignation or, on the basis of the Constitution, by passing a law on the necessary technical standards concerning elections. "There is an opportunity for parties in parliament and out of it to accomplish this, and for personalities inside and outside of parliament to use their opportunities and present their complaints," Kiro Gligorov concluded.

### Problems With Ownership of Diplomatic Residences

92BA1229B *Belgrade VREME in Serbo-Croatian*  
13 Jul 92 p 33

[Article by Seska Stanojlovic: "You Do Not Have a State; Return the Apartment: The FRY in a Dispute With a Former Ambassador"]

[Text] A residence in one of the most exclusive quarters of New York, on the corner of Park Avenue and 71st Street, is an unusual battlefield for the internal Yugoslav divisions. Two luxury apartments (16B and 17B) in the above-mentioned building in the heart of New York were leased at one time by the Yugoslav Government as an apartment-residence for the head of the UN mission. In accordance with the regulations of the host country and the owner of the building (an American corporation), the lease was legally based on the purchase of shares (in this specific case a total of 960 shares), which, since they cannot be made out to a state but have to be made out to a name, were transferred every four years from the name of the previous ambassador to the name of his successor for a symbolic compensation of only \$1.

The established transfers, which took place for 20 years with virtually no problems, did not take place this spring, and this is the heart of an unusual dispute. In February 1992 former Yugoslav Ambassador Darko Silovic was recalled from his post because this career diplomat had entered the foreign service of the former joint homeland through the Croatian personnel list. Silovic, who remained in New York after the recall on his own account, refused, however, to give up the apartment and

transfer the shares to the name of "Yugoslavia's" newly arrived representative at the United Nations, Dragomir Djokic.

### Meager History

The unusual living and legal situation has yet to be resolved. The services of the Federal Secretariat for Foreign Affairs (which still bears its former name), on behalf of the Federal Republic of Yugoslavia [FRY] and its claims to succeed the "second Yugoslavia" under international law, have authorized their New York lawyer to seek legal redress. Darko Silovic, however, for his part, wrote a letter to Lord Carrington, and sent copies of the letter to Belgrade, Zagreb, Ljubljana, Sarajevo, and Skopje. The conference chaired by Carrington, which is dealing with the complicated case of Yugoslavia, i.e., the division of its property among the successors, according to Silovic (who, by the way, also recalls his "forced departure from his post as ambassador"), should assume legal guardianship of this property as well. With the comment that he, as the (last) ambassador of the FRY, feels responsible for transferring the apartment and the shares to the one who gets them in the inheritance discussion, Darko Silovic's letter explains his personal gesture as "protecting valuable property from usurpation."

The intriguing scandal of the New York ambassadorial residence is more an illustration of a whole series of possible complications, like those that arise among heirs when a deceased person dies without a will. The former Yugoslavia, after seven decades of life together and an equally long joint diplomatic history, is leaving its potential successors a rich fund of state property abroad—embassies, residences, consulates, apartments...a total of 125 buildings appraised at an impressive half billion dollars (together with the land on which they are built). It is not clear either theoretically or practically how this will be divided, and with what criterion or principle. In this respect as well, Yugoslavia is a precedent without a model that can be followed. The long-ago memory of the separation of Sweden and Norway at the beginning of this century is not exactly encouraging. Even though it was far from being as drastic, or with as much property (diplomacy at that time was not as extensive), negotiations over the property and legal demarcation between the successors to the former Scandinavian confederation lasted for about 10 years.

The previous Yugoslav experience went in the opposite direction (integration), and was much simpler and much more painless. First of all, the Kingdom of the Serbs, Croats, and Slovenes, and then both Yugoslavias, were successors to the Kingdom of Serbia under international law, which also applied to property relations. This "prior right" is now being cited by the newly created state entity of Serbia and Montenegro. Furthermore, the FRY is accusing the other former members of the Yugoslav federation of "secessionism," because if that formula is also accepted by the international community, it follows from this that it is the recognized bearer of the Yugoslav

legacy under international law. Badinter's commission, as an institution of Carrington's conference on Yugoslavia, has a different position, as is well known. Even more than half a year ago, it judged that Yugoslavia was "in a state of collapse," and that sends the succession issue in a different direction: toward distribution into "equal parts," or in accordance with each successor's contribution, if that can even be determined and calculated. Badinter's commission strengthened its position on the right of succession to the former joint state again last week when it issued its latest report to Lord Carrington, and the troubles with recognition being experienced by the "authorities in Belgrade" are moving them further and further away from the desired legacy.

#### Notes and Interventions

It is a real miracle that the property and legal clarification, which has not even gotten on the agenda yet in the vortex of bloody conflicts, has so far not led to many more scandals like the one mentioned in New York. Like this one, which is at a standstill for the time being, the FRY's diplomatic division has only caused a few such disagreements, whose outcome also has yet to be awaited.

The ambassadorial residence in Vienna, one of the most valuable facilities abroad in a cultural and historical sense, has already been a "firm" of the Republic of Croatia for several months, thanks to (former) Yugoslav and now Croatian Ambassador Ivan Brnelic, who has remained "in possession" of that part of the joint property. The competent Austrian state authorities have so far ignored notes and interventions from the "Belgrade authorities." The property and legal complication with the ambassadorial residence in Tunis is also in a sort of stalemate. Ambassador Arif Hadzic did not leave it after Bosnia-Herzegovina proclaimed its independence and the diplomatic service of the latest Yugoslavia "dismissed" him. In this case, one should keep in mind the fact that Belgrade and Tunis have diplomatic representations on the basis of mutual reciprocity, and so the Tunisian ambassador has already been threatened with eviction from his Belgrade residence. An apartment in Rome, which a former diplomatic employee of the Yugoslav Embassy from Slovenia did not want to move out of, has also been expropriated—whether temporarily or permanently remains to be seen. The "usurpation" of the embassy in Chile only lasted for a few days. After a note from Belgrade, the Chilean authorities denied former ambassador (now Croatian ambassador) Franjo Krnetic hospitality in the building where he had intended to remain.

#### Deployment of Albanian Paramilitary in Kosovo

92BA1201A *Skopje NOVA MAKEDONIJA*  
in Macedonian 28 Jun 92 p 11

[Unattributed article: "Albanians in the Gray Zone; Deployment of Albanian Paramilitary Brigades in Kosovo—Composition and Size"; originally published in Belgrade REVIJA 92 in Serbo-Croatian, date not given]

[Text] *In accordance with a Western scenario, are the Albanians being kept to finish the military operations, or will they be sent more extensively into the "slaughterhouse"?*

Are the Albanians in Kosovo being trained to set the new borders by force of arms, or is this merely a mask behind which they are concealing their helplessness until the Kosovo secession is accomplished? Could 90,000 armed Albanians in Kosovo threaten Serbian territorial integrity without outside support, or is this nothing but a blank shot being fired? To a certain extent, the answer to such questions is hinted at by the pattern of the present status of Kosovo "defenses."

According to peace-loving strategists, the situation in Kosovo, which is a gray zone offering a variety of military-political options, should be stabilized as quickly as possible because a blast in Kosovo would light a fuse that could involve all of Europe in a military conflagration. That was why Butrus-Ghali, the UN secretary-general, announced that a UN mission would visit Kosovo with a view to acquainting the global organization in greater detail with the major problem confronting the Federal Republic of Yugoslavia.

Although the Albanian option for Kosovo makes mention of democratic political means for solving problems related to the Serbs, paramilitary forces are being set up systematically, and there is an attempt to arm them as best as possible. This was confirmed by the statement of an officer, an analyst from the former Yugoslav People's Army, according to whom the Albanians in Kosovo have some eight brigades of 3,500 men each, which means a total of 28,000 armed individuals. The on-site information is that there also are seven independent battalions, totaling 4,200 people. Also involved in the plan for preparations for an eventual war in Kosovo by Albanians are local guard units, currently some 700 of them, numbering about 50 members each. To this we must add military communications units totaling about 1,500 people.

#### Deployment

According to military analysts, should fighting develop in Kosovo, the Albanians will be helped by the "Kosovari" brigade of 3,500 men from Albania, one brigade from Tetovo, two battalions from Sandzak, one battalion from Bujanovac, and one battalion from Plav. It is believed that the Albanian paramilitary forces in Kosovo may be able to raise between 75,000 and 93,000 men at arms.

An indication that the Albanians in Kosovo are operating on the basis of a plan is found in the deployment of their military forces in the shape of a horseshoe, with Albania at the open end. The Albanian leaders have repeatedly said that they will defend their compatriots in Kosovo with arms. In an effort to display their readiness to fight, the Albanian armed forces in recent weeks strengthened their military forces, especially their air force! For the time being, it is difficult to assess the true



power Tirana has to militarily intervene in the Federal Republic of Yugoslavia because, even without Western aid, such forces are relatively significant.

The first brigade of the Albanian paramilitary forces is deployed in Urosevac. Its command post and first battalion have their headquarters in the Burnik Grammar School. The second battalion is deployed in the village of Drobniak, and the command of the third is located in Urosevac. The second brigade is in Podujevo. The third is in Kosovska Mitrovica, with a command post (and deployment of its first battalion) in the village of Boljetina. The second battalion of the same brigade is deployed in the village of Cabra, and the third has its command post in the village of Posmaja. The fourth brigade is deployed in Glogovac, and its command post is in Suva Reka. The first battalion is deployed in the village of Poljance, the second in the village of Kuprelj, and the third (with the brigade) in Glogovac. The fifth brigade is deployed in Suva Reka, where its command post is located, as is its first battalion. There is one battalion in Doinovce and one in Orakhovac. The sixth brigade is deployed in Prizren, including one of its battalions, while the command post is in the village of Jablanica. The second battalion is located in the village of Dusanovo and the third in the village of Salinovce. The seventh brigade is deployed in Sakovica, with a command post on Cabrat Mound, as is its first battalion. The second is deployed in the village of Smaj and the third in the village of Skivjan. The eighth brigade is deployed in Istok, Pek, and Decani. The brigades' command and its first battalion are in the village of Kopisnica, the second battalion is in the village of Vrela, and the third is in the village of Streoc.

#### Origin of the Weapons

Speaking of the armaments available to these paramilitary forces, we must mention that the weapons, whatever their origin, have been adapted to the type of warfare suitable for that area. We must not rely on the old estimates that these are merely captured weapons or obsolete Albanian armaments. To begin with, we must bear in mind the fact that firearms, consisting of semi-automatic and automatic rifles, were removed from a large number of former militia camps. Furthermore, for

a number of years the arms and munitions depots of the former Yugoslav People's Army have been raided by groups headed by Albanian officers.

In the past five years, a great many weapons have reached Kosovo from abroad. They include Uzi and Heckler automatic weapons and SAR-80 and MGV-176 rifles. The outbreak of hostilities in what was Yugoslavia opened a large number of channels for delivering weapons to Kosovo. Let us particularly note that, of late, there has been an increased availability of sniper weapons, which have proved to be very efficient in fighting in urban areas.

Counterstrike weapons in the arsenal of the paramilitary forces in Kosovo include Osa Zolja and Ambrust rocket launchers and recoilless guns. Included are 60-, 82-, and 120-mm mortars. According to some information, the arsenal also includes 160-mm mortars supplied by Albania. Antiaircraft defense includes obsolete ZU-23 23-mm guns, and such defenses are believed to have several Strela 2M systems.

It is being said that Albanians in Kosovo also have several T-34 tanks and guns from the 1950's. It is difficult to confirm the accuracy of such information. Unquestionably, however, a large number of antipersonnel and antitank mines and hand grenades have been procured from Croatia.

Whether Kosovo will blow up and become a new battlefield in the Balkans is not known. It is certain, however, that any effort at armed rebellion will be drastically suppressed by the Federal Republic of Yugoslavia, which is committed to such action by its Constitution. The Serbs have unequivocally informed their Albanian fellow citizens that they have no intention of pleasing anyone on the subject of Kosovo or making any concessions.

The Western plans and intentions concerning Kosovo are a different matter. However much they may be relying on this trump card, the Albanians clearly realize that they would pay with their heads for adventures launched by others. For the time being, it is unquestionable that the Western masters are postponing armed conflicts until there is an outcome in the Balkans that could provide a pretext for a European-sized war.

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